THE MAGAZINE OF WALL STREET

JANUARY 21, 1933

What's Ahead for the Market?

By A. T. MILLER

Solving the Tax Problem—An Essential Step Toward Recovery

By THEODORE M. KNAPPEN

The Investment Portfolio for 1933

By WARD GATES

C. G. Wyckoff
PUBLISHER

VOL. 51 — No. 7

PRICE 35 CENTS

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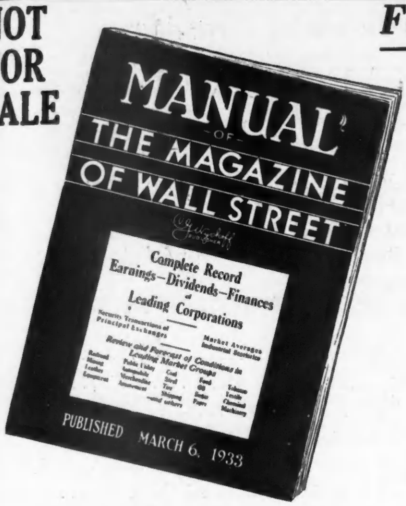

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Vol. 51 No. 7 January 21, 1933

The Ticker Publishing Co. is affiliated with no other organization or institution whatever. It publishes only The Magazine of Wall Street, issued bi-weekly, Adjustable Stock Ratings, issued monthly and the Investment and Business Forecast, issued weekly.

Copyright and published by the Ticker Publishing Co., Inc., 90 Broad St., New York, N. Y. C. G. Wyckoff, President and Treasurer. E. Kenneth Burger, Vice-President and Managing Editor. Edgar P. Hildreth, Secretary. Frank R. Donovan, Business Manager. Thomas F. Blissert, Financial Advertising Manager. The information herein is obtained from reliable sources and while not guaranteed we believe it to be accurate. Single copies on newsstands in U. S. and Canada 35 cents. Place a standing order with your newsdealer and he will secure copies regularly. Entered as second class matter January 30, 1915, at P. O., New York, N. Y., Act of March 3, 1879. Published every other Saturday.

ADVERTISING REPRESENTATIVES—Pacific Coast, Simpson-Reilly, Bendix Building, 1206 Maple Avenue, Los Angeles, Russ Building, San Francisco.

SUBSCRIPTION PRICE—$7.50 a year in advance. Foreign and Canadian $8.50. Please send International Money order or U. S. Currency.

TO CHANGE ADDRESS—Write us name and old address in full, new address in full and get notice to us three weeks before you desire magazine sent to the new address.

EUROPEAN REPRESENTATIVES—International News Co., Ltd., Breams Bldg., London, E. C. 4, England.

Cable Address—Tickerpub.

WITH THE EDITORS

Safety of Income

NO matter how long or how slow the prospective ascent of recovery may be, as the evidence increases that the low point of the depression has passed, the desire for investment grows with the recognition of the opportunity. For those concerned mostly with recouping losses or rehabilitating capital by purchasing with the ultimate objective of price appreciation, the problem is not so difficult. They need not consider current return so much as future position of a company, but for the large group who are either partially or wholly dependent on income from security investments, the question is one of safety first and increase in value second. Recent years have seen this class beset with defaulted bond interest and dividends passed or cut in large numbers, meanwhile the total of individual investment capital has been impaired by drastically declining values. Such switches from one security to another as may be contemplated, or such new funds as may seek employment by people in this position must be carefully handled indeed, in order to avoid further losses in income.

Perhaps the safest guide to follow in this regard is the record of the company whose securities are under consideration during the past year of great and general adversity. Bond interest covered by a comfortable margin in so difficult a year as 1932 is indicative of ability to withstand unfavorable conditions and to retain some degree of earning power even though return to normal be slow. The same is true, although in somewhat less degree, of dividend coverage. The simple fact that a dividend was paid throughout last year is not enough. By what margin was it earned, or was it paid from surplus? If the latter was the case, how long can the company live on its fat?

In the first million share day of 1933, there were traded in on the New York Stock Exchange, 556 issues. Of this number 240 stocks, including 70 preferred issues, are listed as dividend payers. Whether this 43% of the active list will continue on a paying basis, however, depends on the speed of business recovery. It will therefore be the part of wisdom to consider only those issues where industrial background is not getting blacker and whose present rate has been amply covered.

Results for the full year 1932 will soon be available in a multitude of annual reports and from the financial positions revealed and the earnings statements, a fair appraisal of the security of income can be made.

In this connection, attention is directed to the comprehensive features of the next two numbers of this publication. The Annual Dividend Forecast for Leading Companies, described below, will be found unusually helpful in estimating the dividend prospect. These features, used in connection with our Bond Appraisals, provide a sound background for the selection of new investments or the revision of present portfolios.

Coming Features of Importance

Annual Dividend Forecast

For All Leading Companies:

1. **Earnings for 1932 Compared to 1931**
2. **Price Range for the Past Year**
3. **Dividend Rate and Coverage**
4. **Yield**
5. **Investment Rating and Comment**
6. **A Survey of Industrial Trends**

Part I—February 4, 1933

Railroads — **Public Utilities** — **Equipments**

Part II—February 18, 1933

Steel
Automobiles
Merchandising

Metals
Tires and Accessories

Oils
Chemicals
Foods

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Publisher

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Associate Editor

The Trend of Events

— *Open Season for Inflationary Talk*
— *One Reason for Sick Business*
— *Let in the Light*
— *The Utilities Clean House*
— *Orderly Deflation Needed*
— *The Market Prospect*

OPEN SEASON FOR INFLATIONARY TALK

ALL fear as to the fundamental soundness of the American dollar has vanished since last summer. European balances here have been depleted to a level at which they no longer present the slightest potential danger. Our gold reserves are now substantially larger than they were before the final European "run" on the dollar began last spring. The atmosphere of panic has definitely lifted and there has unquestionably been a vast improvement in public confidence. In short, there is no danger of a forced "smash" in our monetary system. Under such circumstances it is somewhat startling to find so many supposedly responsible members of Congress proposing a soberly-considered and wholly voluntary "smashing" of the dollar. Of course, they do not use so objectionable a term. They instinctively shy away even from such terms as "inflation" or "cheapening the dollar." It sounds so much better to describe their plans as designed "to make money more plentiful." The procession of such proposals, all put forward as a magic short-cut to a prosperity in which debts will no longer be burdensome, has already begun. It is plain that we are destined during 1933 to see an endless parade of nostrums led forth by the political witch doctors. It is much to be hoped that, as always before in the history of this country, the common sense of the public and of more responsible political leaders will see to it that this ill-informed agitation is confined to the field of talk, rather than of action. Even as empty talk it is sufficiently unsettling. Inflation represents unexplored economic territory. The economists are none too well equipped with certain knowledge to lead us safely through it. When an ex-lawyer or ex-farmer in Congress attempts to do it we have a case of the blind leading the blind.

ONE REASON FOR SICK BUSINESS

AMONG the major problems confronting business, much emphasis has been placed on high taxes and excessive funded debt. These are unquestionably adverse factors, but as between individual enterprises their actual importance varies so greatly that generalized comment is not only useless but misleading. Even among many of the

largest industrial corporations, carrying charges on funded debt and taxes constitute elements of operating cost relatively small in comparison with other factors, notably payrolls and raw materials. This is even more plainly true of a vast number of business enterprises of small or moderate size which in the aggregate account for a decidedly substantial proportion of the country's industrial activity. All business, of course, is confronted by a reduced public purchasing power, but the problem of operating cost for the average manufacturer centers chiefly in payroll and raw materials. The first is subject to ready control and in general has been deflated to a level which would be easily supportable if other cost elements were in line. It is not inconceivable that when business ultimately recovers it will be found that the correction of commodity price maladjustments outranked all other remedial forces. In relation to the prevailing average price level, such commodities as iron and steel, fuel, paint, cement and such services as electric power and railroad freight are notably out of line and to this extent swell the percentage of operating costs to a degree which in many enterprises spells the difference between profit and loss.

LET IN THE LIGHT

UNDER a new rule of the New York Stock Exchange corporations applying to list securities must hereafter agree to an independent audit of the annual statements. This represents a long step in the right direction, although it still leaves much to be accomplished before the shareholders—who are the owners—of every listed company will receive the full information to which they are entitled. The rule is not retroactive and hence does not apply to those corporations which have been the worst offenders in respect to lack of frankness. Fortunately, their number is not large. Moreover, it is ever more apparent that they are fighting a losing battle. The excellent example of such companies as United States Steel and General Motors in frank and fair accounting to shareholders has vastly increased the pressure of public opinion calling for similar policies on the part of more backward corporations. This pressure will be further increased by the new Stock Exchange ruling, especially since many of the older listed companies will sooner or later meet the rule face to face in applying for the listing of additional securities.

THE UTILITIES CLEAN HOUSE

ESTABLISHMENT of the new Edison Electric Institute and abandonment of the much-criticized National Electric Light Association represents a praiseworthy effort of the public utility industry to clean house. It is to be hoped that the promise implied in its strict code of ethics will be carried out. If so, it will win public good will and political tolerance where the old practices and propaganda merely reacted to the industry's detriment. To be sure, the evils complained of have been exaggerated, yet the step now taken is admission that all was not sweetness and light. The new code requires of member companies, which constitute 85 per cent of the industry, that they make annual reports independently audited, and that their statements of whatever nature "shall be accurate and clearly indicate their source." It also requires that all service contracts between companies "shall be so drawn and so operate in practice that the charges to the operating company shall be reasonable and commensurate with the value of the services rendered and the fair cost thereof." This reform applies precisely to that phase of holding company operation which has been most vulnerable to political attack. On the promise of a new day of honest and frank dealing congratulations are in order.

ORDERLY DEFLATION NEEDED

IMMEDIATE revision of the Federal bankruptcy laws is urged by President Hoover and the proposal also has active sponsorship in Congress. Such a measure, designed to ease and expedite the normal processes of deflation, is probably the soundest and most constructive remedy advanced since the depression began. It frankly recognizes the necessity of some further debt liquidation on the part of individuals and corporations and seeks a fairer apportionment of the burden between creditor and debtor. The idea is not to place an artificial check upon salutary deflation, but to eliminate some of its more painful effects. It looks in the direction of business salvage and reconstruction instead of that of business ruin. The general purpose of the law now in force, is to give the heavily involved debtor an opportunity to free himself from all obligations but at the cost of all his assets. He has an unimpeded opportunity to start over again, but is deprived of the instrumentalities of a start.

In almost every case of business distress there are creditors who oppose any plan of readjustment, even though it is obviously in the best interests of the creditors as a whole. It is now proposed to give a debtor an opportunity to call a halt in the dissolution of his business and appeal to the courts for an orderly examination of his affairs, looking to a readjustment based on equity. The reform is to be applicable to corporations and individuals. Its application to the former is of profound interest to the investing public. It promises in the case of some railway companies, for instance, that equity securities will not be wiped out, that bonded debts will in the end gain more than they may momentarily lose. Moreover, the whole investing and financial community would be spared the devastating shock that would inevitably ensue if great institutions, strong yesterday and strong again with general business recovery, should be permitted to fall.

THE MARKET PROSPECT

OUR most recent investment advice will be found in the discussion of the prospective trend of the market on page 370. The counsel embodied in this feature should be considered in connection with all investment suggestions elsewhere in this issue. Monday, January 16, 1933.

As I See It — By Charles Benedict

Revolution Without Revolt

WHEN the mob stormed the Bastile in 1789, King Louis said to the Duc de la Rochefoucald, "This is revolt."

"No, Sire," was the answer, "it is revolution."

As one reads the voluminous report of the President's Committee on "Recent Social Trends," the impression deepens that we are in the midst of a crisis that differs as profoundly from the recurrent depression of the past as revolution differs from mere revolt.

We have seen, superimposed upon the normal contraction phase of the business cycle, a dismaying number of powerful forces that point toward painful reorganization of our social, political and economic fabric. We are caught in a whirlpool of change that seems at times to our myopic vision to threaten the fundamentals of our present order.

We have not merely a glut of goods to deal with, or too much debt, or too little credit, or a ruinous decline of prices, or panics. We have them all and other economic variants, plus a host of social and political novelties that did not formerly exist or were not conspicuous enough to attract our serious attention. We are distracted by the hydra-headed problems that press for immediate solution. Gloomy minds even contemplate the collapse of civilization.

We, however, prefer to believe that civilization, especially in America, is going through a new birth. We are involved in one of the great transitions in the evolution of mankind. We happen to be present when a thousand factors that are making for a new, and I believe, better world, have converged. The collision of these great forces places us in a somewhat analogous position to the period immediately following the French Revolution which brought to the world a new social and political order at that time. Today it is Sovietism which is pioneering into new fields of progress. The Russians have made the sacrifice in testing out a new idea. We already know that we do not wish either its processes or its present results for ourselves, yet we recognize that Russia is conducting a great laboratory from whose ultimate discoveries we shall profit, as the world profited from the lessons of the French Revolution.

The Bourbons doubtless thought that the overturn of their regime was the practical end of the world, but it gave France, and to a considerable extent the world, a new and better political and economic order.

We doubtless face great and trying changes, even revolutionary in extent, but that does not imply violent revolution of a similar character because the possession of wealth and land ownership in this country today is so broad that it forms a basis of stability which these other nations did not possess. The implied changes of today mean that we will adjust ourselves in our own orderly way to alterations in the material bases of our civilization that are in themselves beneficient. The French and Russian revolutions were reactions against evil forces. We, on the contrary, need only to make changes that will effectuate forces of good. It might be said figuratively that we have replaced the horse with a powerful engine but have not yet converted the buggy frame into a chassis. Who will say that it is an ominous thing that per capita production rose 53 per cent from 1919 to 1929 or that the purchasing power of wages increased 20 per cent, or that every family had an automobile, or that every man, woman and child had 75 mechanical slaves working for him? The buggy broke down; ultimately we must build an automobile. In the meantime we will repair the buggy and get along.

The thundering impact of new discoveries and new ideas on old methods and institutions may be, and, is disconcerting but it has opened closed minds and set thousands to thinking who not long ago were too busy and self-contained to think at all in general terms. Business men who never had a thought beyond selfish profits are thinking, writing and talking of common problems. Throughout society there is a yearning and a will for a better world and a determination to translate our mechanical and power excellence into economic and social betterment.

We are peculiarly fortunate in America in this time of unrest, for what we had already done before our strange new creatures ran away with us is auspicious of what we shall do when we once are firmly in the saddle. The American masses have tasted in some measure of the riches that are within their ultimate reach; and they have plainly seen, even if afar, the heights that are before them. They have not lost their heads, they have no desire to destroy vindictively what has been achieved, in order to build anew. But they are not content to give up the good future that seemed so near five years ago, when for a brief time they attained to a degree of material satisfaction not equaled by any other economic system in any other time. They will press on for a full share of the potential riches invention has revealed. And leading them will be a host of men who would be called their class-enemies in other nations. We shall have a co-operative forward advance in a united front.

The conquered frontier may give us no more thrills, a tamed continent may no longer stir our aspirations; but we have a whole new world of mastery of the forces we have loosed to challenge

(Please turn to page 406)

¶ *Considering the Outlook In Business, Finance and Politics, Is the Present Move Another Rally or the Beginning of a Major Advance?*

What's Ahead for the Market?

By A. T. Miller

SECURITY markets at this writing have experienced the best advance in many weeks and, as always, this development is accompanied by a marked change for the better in speculative and financial sentiment. From the last phase of reaction, which culminated December 22, the average price level of industrial stocks has rallied a maximum of 16 per cent and there has been a 25 per cent gain in railroad shares.

Concurrently, in a period of only three weeks, the bond market has reversed the secondary trend of reaction which began last August and has scored a net gain almost as large as that experienced in the active rally of last July, bonds of the generally better type recovering fully half of the losses recorded during the autumn and many gilt-edges issues reaching new highs.

This sudden and decisive improvement in the investment market, reflecting seasonal re-investment demand, low money rates and an apparent moderate relaxation of timidity on the part of institutional buyers, provides a materially brightened speculative setting for the stock market and to this recent tentative suggestions of a firmer tone in wheat and other commodities also contributes.

Testing Out

Even without any visible change of importance in underlying business realities, this immediate speculative setting, combined with the moderately favorable technical condition created by December reaction and with the factor of seasonal hopefulness always introduced by the transition into a new year, has quite naturally been seized upon by the general run of floor traders and other professional in-and-outers as a logical opportunity for testing out the possibility of putting the market higher.

While the effort appears to have met with tentative success, there is no evidence that it has yet been able to attract any substantial volume of public participation—the goal of all such professionally sponsored movements—as the general run of stocks hesitate around a resistance level approximating that at which three previous rallies had been halted during the last three months.

Accordingly, immediate attention is focused upon speculative conjecture as to a possible burst of sponsored activity of sufficient force to "go through" this line on the upside in such fashion as to stimulate the imagination of the public and gather the supporting momentum necessary to sustain the recent performance.

If one cared to accept the usual speculative reasoning, such an upthrust would be interpreted as a "good sign." Actually, in the absence of any tangible, fundamental reason for fast advance and in the continuance of a not at all inspiring level of earnings for most corporations, it would not improbably be accompanied by an increase in weak, speculative buying and by a shrinkage in strong demand, thus impairing the purely technical strength which has been so effective a factor of advance in recent weeks.

Certainly it would appear that some definitely favorable development in business or in the political situation probably will soon be needed if the market movement is to amount for the immediate future to anything more than merely a "good rally."

This does not mean that the possibility of a substantial spring recovery beginning some time within the first quarter of this year or even the possibility of the start of more enduring revival need in any way be dismissed. The immediate question is merely whether speculative impatience has attempted a premature start of such a seasonal rally. The possibility is strong enough to suggest the continued wisdom of refusing to "reach" for desired holdings in periods of speculative strength and of confining accumulation to periods of technical reaction. Under prevailing conditions the using up of speculative momentum in the early weeks of January may not inconceivably be at the expense of hesitation or corrective reaction in late January or early February. In connection with this early prospect, one may cite the interesting, even if by no means infallible, precedent that in the last fifteen years in the great majority of instances January has been a month of market irregularity, resulting in little net change in average stock prices.

Strong Base Laid

Quite aside from the minor matter of trading fluctuations within or near the price range which now has prevailed since early October, the strength of the underlying speculative position becomes increasingly impressive. Nearly four months of tangible evidence appears to indicate a generally sold-out condition. In recurrent reactions volume of transactions has tended to dry up, speculative pressure failing to induce any liquidation of importance. Similarly, within the limits of the recent trading range, advance has also failed to attract important selling, succumbing chiefly to the lack of public support and to the normal desire of floor traders and other professionals to realize upon their profits, if any.

The fact that effective liquidation in the majority of stocks is not of important proportions for the time being is illustrated by the manner in which the market recently has ignored various developments subject to adverse interpretation in relation to individual issues. Thus, the long-awaited reduction in cigarette prices produced a sizable rally in tobacco stocks, rather than further decline. There has been similar response to several dividend reductions.

That the potential threat of more important ultimate liquidation has vanished is, of course, by no means certain. In this connection a recent frank intimation of policy on

the part of the securities affiliate of one of the largest New York City banks is of possible interest. Its substantial security holdings are "below water," their current market value being exceeded by the company's indebtedness. Since it is the well accepted belief that the bank desires to liquidate this affiliate, it is obvious that the process must depend upon a market somewhat higher and stronger than now exists.

Whether this situation may accurately be regarded as typical is certainly open to doubt, but on the other hand it can hardly be unique. Whether it or other such potential liquidation may become an important market influence can only be highly conjectural. In general it probably can be said that the answer will be supplied by the course of business developments later in the year. Meanwhile whatever threat may be implied is a suspended, rather than an immediate, one, and one to which the speculative community in its present state of mind is unlikely to pay undue heed.

Industrial and trade developments of early January show no change sufficiently pronounced either to throw light on the prospective proportions of the expected seasonal upturn or to provide any immediate clues to the share market.

Operations of the steel industry have crept upward slightly, but the gain from the low point of December is thus far no more than nominal. Railroad car loadings are disappointing. In the main, however, these indexes merely tell us what is only too well known; that is, that we remain at a level of deep depression. They at least do not suggest further relapse and they continue to leave the general level of industrial production visibly above the panic level of last summer.

Of much broader significance is the fact that, regardless of recent moderate rallies in a few speculative commodities, the commodity price average remains disappointingly weak. Indeed, it is at a lower level than when panic was raging last June, despite the vast program of credit manipulation and relief undertaken by the Reserve System and the Reconstruction Finance Corporation.

The obvious failure of all artificial remedies heretofore applied in the hope of raising commodity prices presents a very serious question. Some parts of the economic structure have been deflated to a sound basis. Others, including real estate mortgages, bonded debt of various railroads, wages in a few lines—notably rail wages—some commodity prices and the costs of all forms of government have not been sufficiently deflated.

The question is whether in 1933 this remaining necessary deflation will be permitted to take its course, with remedial efforts centering on the task of keeping the correction within orderly lines, or whether the struggle will be continued both to hold the status quo of unsupportable obligations and to find new schemes of price-fixing magic.

On this fundamental question there appears to be neither policy nor leadership at Washington, but only an amazing confusion and futility. The Congress is groping in a variety of directions. In some respects there are sincere efforts to cope constructively with major problems, including legislation to strengthen our faulty banking system. Some further slight progress on governmental economies is indicated. There is apparently growing favor of a proposed amendment of the bankruptcy laws in order that voluntary adjustment of debts would be expedited. This would constitute an intelligent and valuable remedy.

Unfortunately, these few rays of light are overshadowed by a variety of developments of dangerous portent. With a recklessness difficult to comprehend the House of Representatives has passed a veritable monstrosity of a Farm Allotment Bill which makes a mockery of the original relief proposal. Spurred to action by the continued depression of commodity prices, a rather formidable Congressional group is crying for one scheme or another of currency inflation.

So far as the early future is concerned, the markets will be justified in ignoring these developments, since we can rely upon a check being imposed by the conservative elements of the Senate and by the President's veto. Indeed, it seems clear that the outcome of the present confused session will be virtually no legislation on vital problems. We are very close, however, to the time when the "New Deal" takes effect and when there will be a Congressional majority with power to take decisive action for good or ill.

It is only fair to recognize that in the weeks since the election the enthusiasm with which the American people looked upon the "New Deal" has waned. If hope is to be maintained it is imperative that March 4 usher in decisive and constructive political leadership. There has never before been a time when the policies of the Federal Government, both routine and emergency, were so directly related to the business prospect. It is not too much to say that this year's progress or retardation on the journey toward basic revival now appears to depend increasingly upon Congress and the White House.

Landmarks of Wall Street, Old and New

No. 7

Cushing Photo from Nesmith

Irving Trust Building at Wall Street and Broadway

Total Cost of Government This Year Will Be Approximately:
$31 *per person...... Federal Government*
$23 *for "War Costs"*
$8 *for All Other*
$85 *per person.. State and Local Government*

$116 *Total Per Person*

Solving the Tax Problem—An Essential to Early Recovery

By THEODORE M. KNAPPEN

THE people of the United States are thoroughly tax mad. And this is why:

At the flood tide of prosperity in 1929 their total income was 85 billion dollars and governmental expenditures of every kind—school district to Federal—were 14 billion dollars.

With nothing but mud flats in 1932 where prosperity once flowed deep, their income was down to 50 billions; but the governmental outgo was still 14 billions.

How to Get More Federal Taxes—If They Must Be

Renew the Gasoline Tax....	**$137,000,000**
Beer Tax, $5 a barrel	**125,000,000**
General Mfrs. Sales Tax	**355,000,000**
	617,000,000
Repeal Special Mfrs. Taxes..	**216,000,000**
Net Increase of Revenue....	**$401,000,000**

It doesn't help much to say that the actual tax collections were 10 billion dollars. It only means that with taxes taking 20 per cent of the hardest-earned money this generation has ever known, we are governmentally still going into the hole at the rate of 4 billions a year. That deficit must be made up some time. It is six times as much as the entire cost of the Federal Government in 1913 and twice as much as the Federal Government collected in the fiscal year of 1932 from every source except postal revenues, which were 200 million dollars less than expenditures.

In every community of the country the tax payers are on the rampage. The popular anger has in some places gone to the extreme of threatening personal violence to the spending and collecting authorities. Everywhere there is angry insistence upon a ruthless reduction of public expenditures.

The Federal Tax Sponge

State, and especially local governments are so close to the aroused tax payers that it is certain that the mountain of taxes will be blasted away. But Uncle Sam is so far off and his "cut" is so small, only about a fourth of the whole tribute, that his spendings are in danger of going unscathed, even though they are proceeding at the ruinous rate of twice his cash receipts.

In a previous article THE MAGAZINE OF WALL STREET has shown how it is possible to cut Federal expenditures so that ordinary expenditures will be within receipts. But the Treasury has given Congress a budget for 1933-34, commonly referred to as that of 1934, which is 492 million (or 307 million, after Presidential revision) in excess of estimated receipts. As this is written the original taxation body of Congress, the Ways and Means Committee of the House of Representatives is proceeding on the theory that 492 million dollars is the deficit, and that 392 millions of additional taxes must be imposed—including the continuation of the Federal gasoline tax, enacted in 1932 for only the present fiscal year. Miscellaneous minor economies are to make up the balance.

But so far the fact has been ignored that there is virtual certainty that only a small part of the 329 millions of war debt payments counted on in the budget will be received. And nothing has been done in the way of meeting the budget recommendations for curtailment of appropriations, which recommendations established the putative deficit. It should be added that both the executive and Congress are talking only of balancing the budget outside the requirements of the national debt. Everybody is agreed that the debt retirement, nominally 496 millions, shall be ignored for the time being.

Real 1934 Deficit—$1,000,000,000

Leaving that aside, the hard fact remains that Congress really has a deficit of around a billion dollars to deal with, if the 1934 budget is to be balanced. Even so, it is figuring on getting 392 million dollars of the sham shortage of 492 million dollars out of additional taxation.

This sham balancing seems to be predicated upon the

assumption that when the new administration comes in, March 4, the fur will begin to fly from the woolly back of the expenditures beast, stripping it of all that President Hoover additionally marked for the discard—and then some. . . . Yeah. This Congress is to collect and spend and the next is to prune and pare. A sort of tandem balancing process. Maybe so.

But what we are up against now is that Congress seems to be headed toward an increase of taxation to the extent of 392 millions over this year.

Four hundred millions more of "tribute," when the national income is getting down toward forty billions—less than half what it was three years ago.

As to how to get this money out of the flat pocketbooks of the tax payers Congress is running around in circles. One day everything is all set for heeding the Presidential recommendation of a manufacturers' sales tax of 2¼ per cent, estimated to yield 355 million dollars. Then the President-elect puts his foot down on a sales tax as something "horrifying." A few days later the Democratic leaders in Congress journey crestfallen to a conference with Mr. Roosevelt and return to Washington with a statement that they are now unanimous for an increase of income taxation.

And now that proposal seems to meet with Mr. Roosevelt's disfavor.

The situation at the moment is that Congress is neither making progress on the income nor the expenditure side of the budget, and the sands of its life are rapidly running out, leaving the country indefinitely with a budget in about the degree of balance a teeter-board has with one end on the ground.

So far the increased taxation decreed last year has yielded about 50 million dollars less internal revenue than was collected for a like period of the previous fiscal year, and the Treasury Department calculates that the famous balanced budget of last summer will be out of level by more than 1,100 million dollars, exclusive of debt requirements, by June 30.

And yet it is agreed on all sides that nothing is more important to the restoration of the foundations of prosperity than a really balanced Federal budget.

It is exceedingly difficult to discuss intelligently a situation which has so many changing factors. The best we can do is to proceed on the assumption that the present Congress will endeavor to increase taxes by 392 million dollars. What is the best way to accomplish that end?

Long ago, Colbert, a famous French minister of finance, comparing the tax payer to a goose, declared that the art of successful taxation was to pluck the feathers from the goose with maximum results and the minimum squawking. A general manufacturers' sales tax seems to meet this fundamental requirement. It is easily and simply collectable in the first instance. It is a tax that can be passed on to the ultimate consumer of goods, without his being painfully aware of it. It avoids the pyramiding of taxes on the ultimate consumer, because it is collected at just one point in the distribution process, instead of at every point as is the case with general sales tax, such as the State of Mississippi has imposed—with excellent effects on the revenues but with terrifying squawking by the tax payer.

The Mississippi experience denotes one merit of a sales tax, which is only partly shared by the manufacturers form of it. When every sale of every kind is taxed the vendor finds self-protection in letting the buyer know exactly what the tax is. The latter pays his tax and the price of the article as separate items. Every purchase serves to remind him that he is being taxed—and just how much. Tax resistance is thus inculcated in the public, and a widely based public demand ensues for the reduction of taxation at its source—expenditures. In the manufacturers' sales tax

Why Not Use the Net and Get Them All, Large and Small?

it is manifestly not always practicable to inform the ultimate buyer of the precise amount of the purchase price represented by taxes. In some instances the manufacturer of distributor may have to absorb the tax in part or whole.

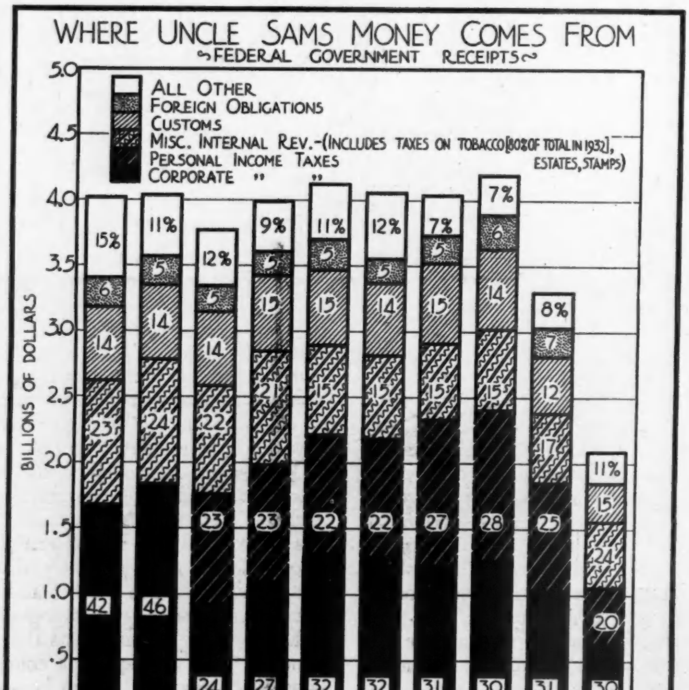
Excellences of the Sales Tax

Exemptions of certain commodities, such as primary food and clothing, make the manufacturers' tax comply with Adam Smith's first law of taxation—that taxes must be adjusted to ability to pay. It is a closely calculable fairly stable, tax, one not subject to the eternal menace of refund of taxes illegally collected, which is a curse of our income tax practice. It is a tax that begins to yield revenue the moment it is imposed, and that brings in cash every day of the year, thus curtailing the amount of current treasury short-time borrowing to meet current outgo. It is far better than the special manufacturers' and nuisance taxes now imposed. Besides these special taxes do not extract many feathers. Nineteen varieties of such taxes were imposed in the 1932 internal revenue act and they yielded only 92 million dollars in the first five months—more than half from gasoline. One of them, in particular was a complete washout, namely, the tax on brewers' wort, malt and grape concentrates. It was thought to be the most promising in the list.

Moreover, all the manufacturers singled out for taxation feel that they have been discriminated against. They are complaining without intermission and agitating day and night for relief.

The special tax strikes at at least one key industry in a very serious manner. The automobile industry is hit by the taxes on lubricating oils, gasoline, tires and inner tubes as well as on car sales themselves. In a way it may be said to suffer directly from about two-thirds of the total of these special taxes in the first five months of their operations.

As for income taxation, it must be first noted that it was heavily increased last year, both in respect to rates and through lowering of the personal exemptions. Only now, as they begin to make out their returns for 1932 do tax payers begin to realize what a terrific increase they are facing. The proposal advanced by the Democratic leaders after conference with Mr. Roosevelt, (unanmously indorsed by them at that time) was, in one form, to increase normal income taxation from 4 and 8 per cent at present, to 6 and 12 per cent, and reduce the exemption of married persons from $2,500 to $2,000. Other proposals are to reduce the personal exemptions of married persons to $1,800 and of single persons to $800, and the exemption for dependents to $200, with or without increasing the rates. Still another is to reduce the exemptions of married persons to $1,500, for dependents to $200 and for unmarried persons to $500, without increase of rates. The increased revenue would vary from 130 million to 230 million dollars.



On the basis of rates of 6 and 12 per cent, married exemptions reduced to $1,500, single to $500 and dependents to $200, a married man with a wife and four children would have a basic tax of $162, as compared with $76 at present.

There has been such an outcry against increasing income taxes that the talk now is veering toward doing nothing more than reducing exemptions, if that.

But if the gasoline tax is retained, an increase of 100 millions in the proceeds of income taxation would meet the alleged deficit of 492 million dollars, with the gasoline income of 137 millions retained, the beer tax, 125 million dollars realized and 100 million dollars of economies effected. That is the program, as much as any has been formulated. These economies are merely parings, here and there, and are supposed to be over above what may be wrought in wholesale fashion by the new administration and the new Congress.

Income Taxation—Pro and Con

The arguments against an increase of income taxation are that it will tend not only to pluck the goose terribly but enormously reduce its vitality. Income taxation is the sort of direct taxation that goes largely and finally to the ultimate consumer. Every person who pays it feels the wrench painfully, even if he does contrive in some way to pass it on. It comes as a final blow at the end of the year—and in these years at the end of a painful period of scrimping and struggling to save something It discourages thrift and enterprise. It is an indispensable tax because it does reach the people who enjoy income, and it conforms to the rule of taxing according to ability to pay. It would be socially unthinkable not to impose an income tax in times of general hardship, but as with every other tax there is a point where increases are economically destructive and unproductive.

While it is true that it tends to discourage the business activity of that portion of the population upon which business prosperity depends, its members are the ones who have most of the nation's wealth and the means of making

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What Will You Use For Money?

The World Turns to Barter, Internally and Even Internationally—What Is the Economic Significance of This New Development?—Is the Gold Mechanism Permanently Out of Alignment?

By Henry Richmond, Jr.

"BUT what shall I use for money?"

"Well, what have you?"

"Here's a scarf, a pair of shoes my child has outgrown, or my husband who is a painter will decorate any room in your house if you will furnish the materials."

"Sold. The barrel of potatoes for the scarf and the shoes. The firewood for the decorating."

Acme Photo

The Chamber of Commerce of Tenino, Wash., Issued "Wooden Money"—Scrip Made of Spruce Veneer—to Carry on Business Affairs

And so in the year of Our Lord, Nineteen Hundred and Thirty Three, do an increasing number of the citizens in the richest and most powerful country in the world prosaically go about the business of obtaining a living.

The direct reason for the phenomenon is not hard to find. Owing to depression's inequalities, a great mass of people have discovered that gold, or money based on gold, is so difficult to obtain that they have been forced into the inconvenience of exchanging directly their produce and labor for the produce and labor of others. The exchanges have to be made, of course. No man is self-sufficient. Indeed, there is no little evidence that the world has progressed to a point where no nation is self-sufficient—nationalism to the contrary—a conclusion borne out by the fact that barter even now is upon an international scale.

Domestically, there has always been a certain amount of barter. The country general store was always willing to exchange sugar, coffee and flour for eggs and vegetables. But this is far different from the situation that exists today. There are said to be more than 200,000 unemployed persons in California alone living by trading without the use of those pretty pieces of paper which a benign government prints for just such a purpose.

There are perhaps as many as two hundred barter exchanges operating throughout the country. They are represented in almost every state of the Union and the number is steadily increasing. One of these exchanges, the National Development Association of Salt Lake City occupies several large buildings. It deals in everything from cabbages to kings. It maintains a barber shop and a beauty parlor. It provides medical attention and has facilities for the filling and extraction of teeth—and all without the use of legal tender. Some days the business done by the exchange runs to the equivalent of $6,000, or more.

Barter exchanges flourish around the country's money center itself—New York. Club dues, school tuition, automobiles, gasoline, newspapers, art work, airplane piloting lessons, and books are all being obtained by direct trade.

Internationally, the story is the same. The German Krupps have swapped agricultural machinery for cows. From the same country comes a record of fertilizer having been exchanged for cotton and dyestuffs for wheat. Canadian aluminum has gone for Russian oil. Even our own country with the greatest gold stock in the world has been more than satisfied to exchange 25,000,000 bushels of wheat for 1,000,000 bags of coffee—which, incidentally, it is about to liquidate at a cool profit of $1,000,000.

This is enough to show the extent to which gold and money based on gold has broken down as a medium of exchange for both domestic and foreign trade. That Man has been ingenious in offsetting the breakdown is clear also. He is quite evidently disposed, however, to carry the movement much further and it is interesting to follow the present tendency to its logical conclusion.

Money may be defined as that which passes freely from hand to hand throughout a community in the payment of goods and services. It can be almost anything. A list of articles serving as money in various parts of the world would include cloth, iron, cowrie shells, salt, feathers, stones and teeth. It by no means *has* to be gold, silver, or the promises of a government printed on a piece of paper—

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Ruin By Efficiency?

Photo montage by C. P. Cushing, from Nesmith

What's All This Technocracy About?

By John C. Cresswill

About 150 years ago there arose in England a prophet who gave the world a scare that lasted upwards of a hundred years. This seer, Malthus by name, stirred a few figures up with some reports from far lands and some domestic instances, and discovered that the world was doomed to misery until the end of time because population would always outrun subsistence. There would never be enough for the multiplying mouths to eat.

He could prove it. Food supply increased by arithmetical, but population by geometrical, progression. Anybody could see for himself what a slim chance food had of winning that race.

We were just pretty well over the Malthusian fallacy when there arose right in our own midst a certain Howard Scott, who reverses Malthus and throws us into an opposite gulf of despair by warning us that unless we hurriedly summon the Technocrats to defend us we shall presently collapse because we have too much food and other good

things. Not that we shall die the death of Sybarites and gourmands, the death of surfeit; but worse than that—civilization will perish with its hands full of the means of life, because it is barred from consuming them. Somehow it just can't get its hands to its mouth with food, or to its body with clothes.

In the jargon of these Technocrats the trouble is that it lacks "decision arrivation." There's the whole thing in a nutshell—lack of the mechanism of social "decision arrivation." Now you know the worst.

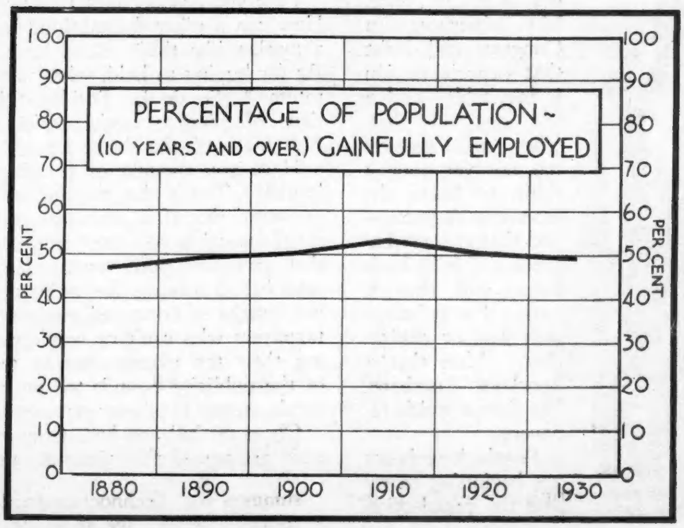
The so-self-called Technocrats are a body of worried men, about 350 all told, scattered over the world but concentrated in New York City and particularly on the campus of Columbia University. They are all scared stiff by the amazing power and productivity of machines. They are conscience stricken, too, because they, engineers and other technicians, are the builders of the horrendous machines that are about to ruin the world because of their incalculable power to produce what all men want. Having given birth to the monsters that menace the world, they feel that it is up to them to lasso, hogtie, tame and direct the machines into orderly channels. As solvers of the problem they are planners and publicists; afterwards as riders of the tamed machine and rulers of the society it will docilely serve they will be Technocrats with teeth. They are a new social philosophy and would be a new kind of government. Poor humanity has had theocrats, monarchs, aristocrats, oligarchs, democrats, physiocrats, plutocrats, bureaucrats, communists, socialists, and what not for bosses, and now it simply must go Technocrat.

Technocracy's Basic Assumptions

Here are the principles of Technocracy, as a science:

1. Production, in this machine age, increases, as a whole, with the cube of time of the period under consideration.
2. The number of man-hours (labor units) required in manufacture decreases inversely with the passage of time.
3. Production per capita increases directly with time.
4. The ratio of debt to production (due to the misuse of the power of the machine) is increasing faster than production. The more wealth we have the poorer we get.
5. Debt per capita is increasing as the square of time, which shows that production, even though increasing rapidly is hopelessly beaten by debt.

These things have been discovered by 100 technicians (now increased to 200) working at Columbia University under one Howard Scott—onetime I. W. W. and Greenwich Village personage. They have gone far enough, they say, to know that these five tendencies are unmistakable, but along in the spring when they get through with their "energy survey" of North America, they will have three thousand charts with which to smother all dissent.



However, they admit that they have proved too much, for, as Walter Rautenstrauch, professor of industrial engineering at Columbia University says, if the rates of growth prevailing up to 1920 (defined above) were used as a basis for predicting probabilities in 1950, "the most ridiculous and illogical results would be obtained." More than half the workers of America would be jobless, and there would be more debt than wealth, even absurdly, more debt than credit.

So, now the Technocrats are working out some new curves of their economic creed, which will not bring them pell mell into self-confessed absurdity.

Let that pass, and go on to see what the present price and debt system of business has to do with the runaway machine. Here is the law, if not the prophets, as laid down by Prof. Rautenstrauch, acting as apostle for the Messiah of Technocracy:

"The quantity time factor of investment to produce a unit of product tends toward a minimum. If a unit is made by hand labor at a daily wage of $5, and it requires three days to complete a unit of product the quantity-time factor of investment (disregarding other items) is $15. If now the work is done by the energy supplied through a machine, and the cost to possess and operate the machine is $10 a day, but the time required to produce a unit of product is one-half day, then the quantity time factor of investment to produce a unit of product is $5. Accordingly, under the operation of this law the substitution of kilowatt hours (energy hours) for man hours is inevitable."

Which is to say that if the machine finally eliminates all workers there will be no man-hours, no work—and nobody earning anything to exchange for the products of the machine. The world will be full of desirable things and yet about to be emptied by death, from starvation and cold, of the people who can't buy them, because how can one get paid for work in a workless world? Well, then, says the Technocrat, you won't let that happen, so you'll have to reckon their compensation by a kilowatt instead of personal time.

Some of the more sanguine Technocrats think this depression has about finished the price system. They have put the day of doom as about 18 months ahead. Others think it may stagger through another business cycle before it lies down and dies.

The Insatiable Debt Vampire

Besides the fact that soon there will never be enough work to produce the payrolls to buy the ever-increasing volume of goods, there is, the Technocrats insist, the ominous role played in this tragedy of doom by debts. When you use price and money in business you can't go on without profits. Now a profit is merely ownership of a debt, a right to collect something from somebody. Money itself is merely an evidence of debt. The machine makes a profit for its owner but in order to sell in a market being decimated by the machine, he has to sell at lower and lower prices to make more profit. To do that he must cut his

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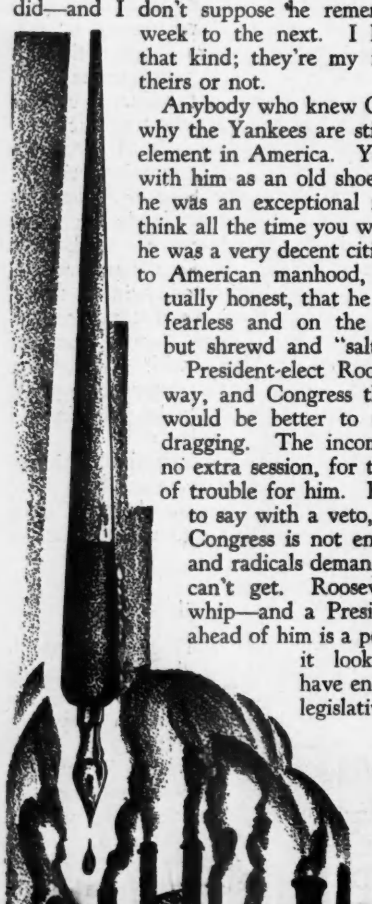
Intimate Letters of a
& His New

WASHINGTON, D. C., January 6, 1933.

DEAR PERRY:

A friend of mine died yesterday. I didn't know Calvin Coolidge half as well as most of the White House reporters did—and I don't suppose he remembered me from one week to the next. I have other friends of that kind; they're my friends whether I am theirs or not.



Anybody who knew Calvin Coolidge knows why the Yankees are still the dominant racial element in America. You felt as comfortable with him as an old shoe. You never thought he was an exceptional man. What you did think all the time you were with him was that he was a very decent citizen, who was a credit to American manhood, that he was intellectually honest, that he was fair, that he was fearless and on the square; not brilliant but shrewd and "salty."

President-elect Roosevelt is pulling one way, and Congress the other. Perhaps it would be better to say that Congress is dragging. The incoming President wants no extra session, for that way lurks a heap of trouble for him. Hoover has something to say with a veto, too. The lame-duck Congress is not energetic. The liberals and radicals demand legislation that they can't get. Roosevelt has cracked the whip—and a President with four years ahead of him is a powerful cracker. But it looks as if he doesn't have enough oxen to pull the legislative covered wagon out of the mire. My observers in Congress still insist that a special session is inevitable—and a hot one, at that. They say Congress has not yet done a thing to break the economic impasse—and that it must because the folks back home will that it must. It's inflation, they say, or expiration. After that a knockout, perhaps, but then a quick recovery.

People hereabouts are beginning to revise the pre-election belief that Roosevelt was a weak man. They say that he only needs a strong position to be a dynamic leader. He seems to have it. Take his stand in favor of an increased income tax in the lower bracket. Looks, too, as if he were going to tackle the veterans' compensation preserves, which Hoover shied from until he got an outgoing ticket.

Say, Perry, what effect will heavier normal income taxes have on bonds? One form of debt deflation, isn't it? It is said that the President-elect has been reminded that while payrolls have shrunk about 40 per cent, interest income has fallen only about ten. (Is that right?) We've got to level down or level up. If we get a special session I'll bet the boys supporting the levelling up process will win, President or no President, and whether we like it or not.

Technocracy craze is fading out. People have lapped up all the sensation. An erg, or whatever they call it, may be all right in lieu of cash fifty years hence, but everybody is back at the old stand yelling for something that can be used for money now.

Key men in the Government are looking for jobs. Dr. Julius Klein is one of the first to score. He'll be missed here. But many less well-known men are being snapped up by private companies. There is some dread that Roosevelt may rescind the executive order that put about 600 specialists in the Department of Commerce into the classified service. Even some in other departments. There are 110,000 open jobs of all kinds, but the office hunters wanted them sweetened up with a lot of good-pay jobs, now protected by executive orders. Democratic members of Congress begin to wish all jobs were protected. Christmas at home was wretched on account of job hunters. Hard times makes the pressure terrific. A government job looks like heaven.

I see you broadly hint that my account is not profitable. How can a piker do anything but wear out his deposit in a market like this? Do I have to pay the transfer tax? As for buying to hold, what's the idea? Do you need the interest? So do I. Besides, think of what happened to that Washington bank cashier who was trying to hold $130,000 with the bank's money! Even that ran out.

Have you thought of forming some kind of taxpayers' league? That's the popular racket now. Some fear is expressed that if it continues people will get the idea that it isn't moral to pay taxes any more. Idea is already spread that taxes are pure waste. Looks to me like there will soon be no revenue for ordinary purposes of government, but swaths of borrowed money to be applied in relief for taxpayers who can't or won't pay because they are handing their tax money over to tax-killing societies. Some of the publicity hounds tell me that it's the easiest propaganda money they ever saw—good times or bad.

Cheer up 'till you hear from me again. All the bureaucrats are agreed that times are still getting better.

Yours,

DON.

Washington Journalist
York Broker

NEW YORK, January 13, 1933.

DEAR DON, you old politician:

So your professional wire-pullers are beginning to think that maybe Roosevelt isn't the weak man they thought he was? That's perfectly logical. No good politician is regarded as weak . . . (by the politicians, I mean) and that's why Franklin's stock has gone up several points in your, so to speak, capitol.

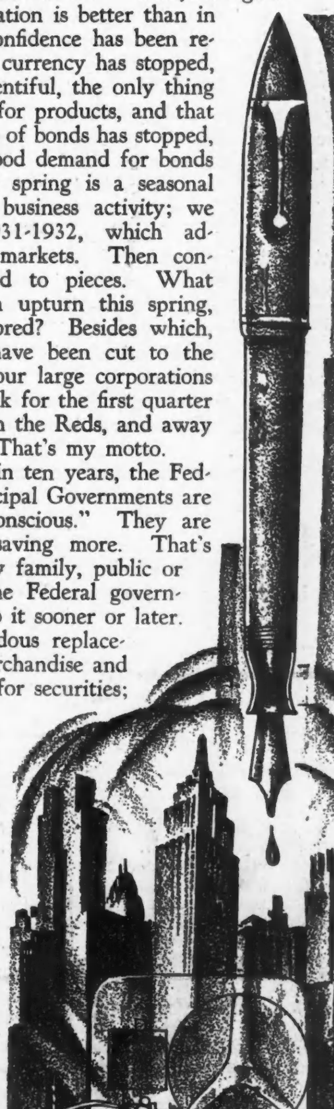
We, up here, are trying to lull ourselves into security with the thought that now that Franklin has got what he went after, he will stop playing both ends towards the middle, and try to make a real reputation for himself as the President who brought the Dow-Jones averages back to a living brokerage level. Maybe that's too subtle for you, in which case show this letter to any of your broker (?) friends in Washington, and ask them if they know what I mean. If they don't, it must be because they are mentally deficient from lack of work.

By the way, Don, apropos of the French payment, and all that applesauce, did you hear the one about the French broker writing to his New York correspondent, and expressing the wish that the ravine would soon be over . . . or must you have that one explained also?

And you will pardon me for laughing myself sick, won't you, when you spring that gem about "interest income" having fallen only 10 per cent while pay-rolls are down 40 per cent. I wouldn't even attempt to check up the percentages. It is perfectly obvious that in a calculation of that kind, all government, state and municipal bonds are included, and who, I ask you, owns most of the governments? If it is perfectly all right to tax the owners of the governments, because the big banks, rich corporations, and individuals own these bonds, why make it a blanket tax, and take more money away from the poor widows, dependents, and shot-to-pieces business men, whose income has been cut in half, whose capital has been decimated, and who do not know from one day to the next, which bonds is going to default next? A tax of that sort would work a terrific injustice. If your financially secure Senators want to soak the rich, it's all right by me, but why include the poor? And why don't the Senators and Congressmen start at home, and reduce their own salaries, and eliminate their expensive and expansive political machine, with all its petty job holding offices?

I tell you, Don, this may sound funny coming from Wall Street, but no country, corporation or partnership ever goes through a thorough and intelligent house-cleaning until and unless there is at the head some one power which, unselfishly, and without regard for personal reaction, sweeps clean, and leaves no dirt in the corners.

Coming back to the market, which, after all, is something more familiar to my tattered brain, I am getting more bullish every day. This may be no time for me to say I told you so, but all during the accumulation period, that is to say, from the middle of November to the end of the year I have seen the best kind of long pull accumulation. That, however, is beside the point. I see all sorts of bullish indications. I'll give them to you so that you will be able to repeat some intelligent arguments when one of those nit-wits from the House or Senate wants to know "what do you base it on?" Well, here goes:



Your banking situation is better than in a decade; banking confidence has been returning, hoarding of currency has stopped, available credit is plentiful, the only thing lacking is a demand for products, and that is coming; liquidation of bonds has stopped, on the contrary, a good demand for bonds is springing up; the spring is a seasonal period of increased business activity; we had it in 1930-1931-1932, which admittedly were bear markets. Then confidence was shattered to pieces. What can happen with an upturn this spring, with confidence restored? Besides which, operating expenses have been cut to the bone, and many of our large corporations may show in the black for the first quarter of 1933. Down with the Reds, and away with the red ink!! That's my motto.

For the first time in ten years, the Federal, State and Municipal Governments are "budget balancing conscious." They are spending less, and saving more. That's good business for any family, public or private, isn't it? The Federal government will wake up to it sooner or later.

There is a tremendous replacement demand for merchandise and materials as well as for securities; there is a strong probability that the cotton crop this year will be surprisingly short, maybe as little as 8,000,000 bales, and a price for cotton of from 12 cents to 14 cents, or double the present price; I can see a distinct shortage in the canned goods supply, also in the hide and leather supply.

I am already seeing improvement in the rest of the world, particularly

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An Investment Portfolio for 1933

Suggested Distribution of Investment Funds for Income and Safety

By Ward Gates

ALTHOUGH it seems probable that the security markets in general have put bottom behind them and have begun the slow and irregular process of a recovery which forecasts ultimate economic revival, the hazards which confront investors in formulating a specific program for utilization of their funds remain large.

Successful and safe investment is never simple. Under present conditions the problem is complicated by the high degree of uncertainty involved in the deflationary adjustments yet to be completed. Under such circumstances those wishing to work out a sound investment program at present will necessarily be forced to confine their selections to a relatively limited group of securities. For every investor, and particularly the investor dependent entirely upon an independent income, the problem is to attain both adequate safety and adequate income. This can only be done by a compromise portfolio which adheres rigidly to a prudent policy of diversification.

The suggested portfolio presented herewith is made up of a limited list of exceptionally high-grade long-term bonds, short-term bonds, preferred stocks and common stocks so that a diversified selection taken from all groups will yield the maximum income consistent with reasonable safety.

Particular emphasis is placed upon long-term bonds of high quality as constituting the starting point in any investment portfolio. They provide a backlog of safety both as to conservation of capital and as to certainty and regularity of income. The advantage of having a substantial portion of one's funds in short-term bonds is maximum safety and liquidity, giving the investor a reserve which, as economic conditions change for the better, can be placed in long-term bonds, preferred stocks, common stocks or in some securities from each group. The primary purpose of including conservative proportions of preferred and common stocks is to enhance attainable income.

Because of endless variation in the financial position of individuals, there is no single ideal investment portfolio suitable for all. Obviously, a business man, professional man or a salaried man in the prime of life and possessed

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Suggested Investment Portfolio

To meet varying individual circumstances and requirements, we present three alternative plans for distribution of funds:

	1st Plan	2nd Plan	3rd Plan
Long-term, high grade bonds	50%	40%	30%
Short-term, high grade bonds	25%	25%	25%
Preferred stocks	15%	20%	20%
Common stocks	10%	15%	25%
	100%	100%	100%

LONG-TERM, HIGH GRADE BONDS:

	Price	Yield to maturity
Am. Tel. & Tel. deb. 5s, '65	106	4.6%
Atchison Gen. 4s, '95	96	4.2
Commonwealth Edison 1st "F" 4s, '81	93	4.3
Ill. Bell. Tel. 1st & Ref. 5s, '56	106	4.6
N. Y. Power & Light 1st 4½s, '67	98	4.6
Norfolk & West. 1st Con. 4s, '96	100	4.0
Penn. R. R. Con. 4½s, '60	104	4.2
Standard Oil of N. J. Deb. 5s, '46	105	4.5

SHORT-TERM, HIGH GRADE BONDS:

	Price	Current Yield	Yield to Maturity
Am. Tel. & Tel. Deb. 4½s, '39	106	4.3%	3.4%
C. & O. 1st Con. 5s, '39	105	4.8	4.1
Consumers Pwr. 1st & Ref. 5s, '36	105	4.8	3.7
Con. Pwr. (Mich.) 1st & Ref. 5s, '36	106	4.7	2.9
Ed. Elec. (Boston) 5s, '35	103	4.9	3.6
N. Y. Tel. 1st & Gen. 4½s, '39	105	4.3	3.6
Nor. & West. Imp. & Ex. 6s, 2.1.34	104	5.8	2.1
Pac. Tel. & Tel. 1st & Col. 5s, '37	107	4.7	3.2

PREFERRED STOCKS:

	Div.	Price	Yield
Amer. Can	$7	$127	5.5%
Amer. Gas & Elec.	6	89	6.7
Amer. Tobacco	6	115	5.2
Con. Gas of N. Y.	5	98	5.1
Du Pont	6	103	5.8
Liggett & Myers	7	129	5.4
North American	3	48	6.5
United Gas Imp.	5	99	5.0

COMMON STOCKS:

	Div.	Price	Yield
Amer. Tel. & Tel	$9	$107	8.4%
Atlantic Refining	1	16	6.2
Brooklyn Union Gas	5	80	6.2
Chesapeake & Ohio	2.50	28	9
Liggett & Myers "B"	5(a)	58	8.6
Louisville Gas & Elec	1.75	19	9
Procter & Gamble	1.50	25	6
Standard Oil of Cal	2	25	8

(a) $4 reg. and $1 extra.

BONDS

Bonds Display Encouraging Strength

Caution Necessary in Second Grade Issues

By J. S. Williams

RESPONDING to the usual re-investment demand of early January and to an apparently growing confidence that investment securities made their depression low in 1932, virtually all classes of bonds have at this writing experienced a substantial recovery. Many gilt-edged issues are at new highs, unmatched since 1931. The "average price" level has advanced to the best mark since mid-October, cancelling approximately half of the aggregate reaction from the peak of last August.

Superficially, in fact, recent trading sessions have given an appearance of general and emphatic bullishness which is somewhat surprising in relation to underlying economic realities, in which there has been no sudden change. Clearly, all uncertainty has not vanished, particularly as regards speculative bonds.

One may hope that a brisk rally in the market's average level is a portent of better times to come, but generalization on the matter of price "average" offers very little investment guidance. The cross-currents in bonds are much more numerous than in other markets. It is not at all difficult to understand the strong demand for gilt-edged issues. New offerings of high grade securities have long been sub-normal. Money rates are very low. Available surplus capital has piled up and presses for safe use.

The resulting demand in the main reflects the buying of banks, insurance companies and other fiduciary institutions and is chiefly confined to a class of investment issues which respond to money, rather than to business, factors. In the long run such demand during a period of financial recuperation may be expected to drive the best bonds up to prices at which the yields lose considerable attraction, after which the normal tendency is for surplus funds to turn gradually to securities of higher yield. Whether the beginning of so significant a move is now being seen can only be regarded as conjectural, in view of the remaining deflationary adjustments to be completed and the uncertainties surrounding Federal fiscal policies.

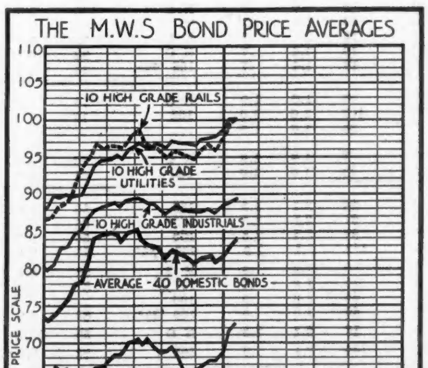
Despite a resumption of agitation for currency inflation, there is an inclination in the financial community to assume that a rising trend in gilt-edged bonds reflects a more or less informed opinion that such agitation will come to nothing. This does not necessarily follow. Banks are dealers in dollars, not in "gold dollars." The same applies to insurance companies. Anything less than a complete currency inflation would not necessarily harm such institutions.

What cannot be estimated in the psychological effect, the effect upon public confidence, of either actual inflationary measures or persistant and recurring agitation in Congress for such measures. It is plain that the question will not down as long as commodity prices remain at their present depressed levels, and as long as there is a threat of even potential inflation hanging over us it will be difficult to formulate long-term investment policies.

As far as can be seen, recent improvement in speculative bonds, and particularly in low-grade rails, cannot be safely accepted as reflecting anything more than a transient shift in speculative sentiment, perhaps due in part to hopes of business improvement this spring. Moderate industrial gains are the normal expectation of the season, and yet little or nothing has been done toward solving a variety of major and familiar problems confronting us.

In December fears of possible railroad receiverships during 1933 shot a spasm of fright through speculative rail bonds. That possibility certainly remains with us and is decidedly more tangible than the temporary fluctuations of sentiment always seen in speculative markets. To earn their fixed charges not a few roads need a quite substantial improvement in traffic. Upon the question of whether they get it or not this spring hangs the answer to the 1933 trend of second-grade and speculative rail bonds.

Foreign bonds have shared in improved demand. Most German issues have advanced to new highs. This movement appears due both to the establishment of more stable political conditions in that country and to a growing conviction that, regardless of the outcome of negotiations as to the governmental debts owed this country by Europe, the major adjustments of the Lausanne Conference are established facts insofar as they end German reparations. In view of the recent French default, it is inconceivable that French financial demands upon Germany can be renewed.



The Magazine of Wall

THE MAGAZINE OF WALL STREET'S Bond Appraisals of active and important bonds is presented in two parts. The sections alternate with appropriate alterations and additions, so that holders and prospective buyers of bonds may be constantly informed as to the effect of developments in the largest number of issues.

It is naturally understood that all the issues mentioned do not constitute recommendations, although the relative merit of each is clearly indicated. For those, however, who desire to employ their funds in fixed-income-bearing securities, we have "starred" those which appear to us currently the most desirable on an investment basis. Generally, commitments should be assumed in accordance with the discussion on the previous page.

Inquiries concerning bonds should be directed to our Personal Service Department.

Railroads

Company	Total funded debt (mil'ns)	Amount of this issue (mil'ns)	Fixed Charges times earned† 1930	Fixed Charges times earned† 1931	Price Call‡	Price Recent	Yield to Maturity	COMMENT
Baltimore & Ohio R. R.								
1st 4s, 1948	623	157	1.7	1.1	105	82	5.8	Loss of earning power and great size of issue depressing influences.
Ref. & Gen. "A" 5s, 1995	623	125	1.7	1.1	105	42	11.9	Junior to 1st 4s. Hardly investment caliber.
Conv. 4½s, 3.1.33	623	63	1.7	1.1	102½	70	..	Offering 50% cash, 50% Ref. & Gen. 5s. Proposal seems fair.
30-yr. Conv. 4½s, 1960	623	63	1.7	1.1	105 '36*	39	14.8	Unsecured. Speculative.
Southwestern Div. 5s, 1950	623	45	1.7	1.1	105 '45*	67	8.8	Fairly well secured.
Pitts., L. E. & W. Va. Syst. Ref. 4s, '41	623	53	1.7	1.1	100	74	8.6	Medium grade.
Toledo-Cin. Div. 1st & Ref. 4s, 1959	623	23	1.7	1.1	102½	55	8.2	Entitled to no more than fair rating.
Chesapeake & Ohio								
★1st Cons. 5s, 1939	224	30	4.3	3.5	N C	106	3.9	First mortgage on the best part of the system. Highest grade.
Gen. 4½s, 1992	224	50	4.3	3.5	N C	101	4.5	Subject to some $42 million prior liens.
Ref. & Imp. 4½s, 1995	224	35	4.3	3.5	110*	92	4.9	Subject fairly large prior liens, but sustained earnings reassuring.
Chicago, Milwaukee, St. Paul & Pac. R. R.								
Gen. "A" 4s, 1989	474	139	1.3	.7	N C	48	8.4	Fairly strong. Undisturbed last reorganization.
50-yr. "A" 5s, 1975	474	106	1.3	.7	105*	21	..	Junior to the large general mortgage.
Conv. Adj. 5s, 2000	474	183	1.3	.7	105	6	..	Thoroughly speculative.
Great Northern Rly.								
1st & Ref. "A" 4¼s, 1961	354	72	2.0	1.3	105 '41	80	5.7	Even present low earnings should not endanger this issue.
Gen. "A" 7s, 1936	354	206	2.0	1.3	N C	64	..	Subject to about $140 mil. prior liens.
Eastern Ry. Minn. Nor. Div. 1st 4s, '48	354	10	2.0	1.3	105	85	5.4	Strong divisional issue.
Montana Central 1st 6s, 1937	354	10	2.0	1.3	N C	94	7.5	Reasonably strong.
St. Paul, Min. & Man. Cons. (now 1st) 4½s, 7.1.33	354	42	2.0	1.3	N C	94	..	Strong, but for possible refinancing difficulties.
Do Montana Ext. 1st 4s, 1937	354	22	2.0	1.3	N C	84	8.8	Partly subject Mont. Cent. 6s.
Do Pacific Ext. 1st stg. 4s, '40	354	£26	2.0	1.3	N C	77	8.4	Secured valuable property and collateral.
Lehigh Valley R. R.								
1st Cons. 4s, 1948	90	5	1.4	.7	N C	88	5.2	Sound, well-secured issue.
Cons. 6s, Irredeemable	90	13	1.4	.7	N C	108	5.6	Junior to issue above.
Gen. Cons. 4s, 2003	90	86	1.4	.7	N C	37	10.8	Speculative under present conditions.
Lehigh Valley Rly. 1st 4½s, '40	15	15	1.4	.7	N C	79	8.5	Medium grade.
Lehigh Valley Term. Rly. 1st 5s, '41	10	10	1.4	.7	N C	93	6.1	Pledged property is very valuable.
Lehigh Val. Harbor Term. Rly. 1st 5s, '54	10	10	1.4	.7	105 '44*	84	6.4	Better grade.
New York, Chicago & St. Louis								
1st 4s, 1937	147	17	1.6	1.0	N C	79	10.6	Reasonably strong, but road hard pressed.
Ref. "C" 4½s, 1978	147	107	1.6	1.0	102	18	..	Speculative under present conditions.
Notes 6s, 1932	147	20	1.6	1.0	....	..	..	Overdue. Deposits being received pay 25% cash, balance new notes.
Lake Erie & West. 1st 5s, '37	147	7	1.6	1.0	N C	70	15.0	Outstanding low rate per mile.
Toledo, St. L. & W. 1st 4s, '50	147	17	1.6	1.0	100	44	11.6	Road's plight depressing influence.
Southern Pacific Co.								
San Franc. Term. 1st 4s, 1950	679	25	2.1	1.5	105	80	5.9	Well-secured issue.
Oregon Lines 1st "A" 4½s, 1977	679	61	2.1	1.5	105*	64	7.2	Medium grade under present conditions.
Central Pacific Coll. 4s, 1949	679	37	2.1	1.5	100	54	9.7	Hardly investment caliber.
40-year Deb. 4½s, 1969	679	148	2.1	1.5	105 '34*	52	9.0	Unsecured. Somewhat speculative.
Central Pacific Rly. 1st Ref. 4s, 1949	679	99	1.2	.5	N C	85	5.4	Interest coverage off sharply.
Through S. L. 1st 4s, 1954	679	10	1.2	.5	107½	82	5.4	Better grade.
European Loan 4s, 1946	679	48	1.2	.5	100	..	..	Principal market Paris. Medium grade.
35-year Guaranteed 5s, 1960	679	40	1.2	.5	105 '35*	60	8.9	None too strong.
San Antonio & Aransas Pass. 1st 4s, '43	679	17	2.1	1.5	N C	59	10.8	Now medium grade.
Southern Pacific R. R. 1st 4s, '55	679	144	2.1	1.5	105	78	5.8	Reasonably strong investment issue.

Public Utilities

Company	Total funded debt (mil'ns)	Amount of this issue (mil'ns)	Fixed Charges times earned† 1930	Fixed Charges times earned† 1931	Price Call‡	Price Recent	Yield to Maturity	COMMENT
Appalachian Elec. Pwr. 1st & Ref. 5s, 1956	85	63	2.2	2.0	104½*	96	5.3	Reasonably sound holding.
Arkansas Power & Light 1st & Ref. 5s, '56	35	33	2.3	2.2	105*	90	5.8	Sound medium grade issue.
★Bell Telephone of Pennsylvania 1st & Ref. "C" 5s, 1960	97	85	2.7	2.8	100 '57	110	4.4	Impressive earnings record—high grade.
Brooklyn Edison Gen. "A" 5s, 1949	67	56	6.1	6.2	105	107	4.4	High grade investment issue.
Cincinnati Gas & Elec. 1st "A" 4s, 1968	35	35	5.3	5.4	100	100	4.0	Columbia Gas controls—highest grade.
Columbus Rly. Pwr. & Lt.								
1st & Ref. "A" 4½s, 1957	25	19	4.7	4.1	105*	97	4.7	Better grade investment issue.
Conv. 5½s, 1942	25	5	4.7	4.1	105*	105	4.8	Security similar to issue above.

Street's Bond Appraisals

Public Utilities (*Continued*)

Company	Total funded debt (mil'ns)	Amount of this issue (mil'ns)	Fixed Charges times earned† 1930	Fixed Charges times earned† 1931	Price Call‡	Price Recent	Yield to Maturity	COMMENT
★Commonwealth Edison 1st "F" 4s, 1981	180	175	3.7	3.3	105*	93	4.3	Strong investment issue.
Con. Gas of New York								
Deb. 4½s, 1951	368	340	5.5	4.9	106*	102	4.3	Unsecured obligation of a strong company.
Westchester Lighting 1st 5s, 1950	22	9	5.5	4.9	N C	109	4.2	Highest class.
N. Y. & Westchester Ltg. Gen. 4s, 2004	22	10	5.5	4.9	100	97	4.1	Junior to West. Lighting 1st 5s.
Dayton Power & Light 1st & Ref. 5s, '41	20	19	4.0	3.9	105*	105	4.3	Sound investment issue.
Houston Ltg. & Pwr. 1st Lien & Ref. "A" 5s, 1953	28	28	2.3	2.3	104*	102	4.8	Sound issue.
Idaho Power 1st 5s, 1947	13	13	2.8	2.8	105	102	4.8	Better grade investment.
Indianapolis Power & Lt. 1st "A" 5s, 1957	38	38	2.7	2.5	104*	95	5.4	Reasonably safe holding.
Interstate Power								
1st 5s, 1957	36	29	1.5	1.4	105*	59	9.3	Prior in lien to issue below.
Deb. 6s, 1952	36	7	1.5	1.4	104*	41	..	Speculative.
★Kansas City Power & Light 1st 4½s, 1961	41	41	3.7	4.0	110*	105	4.2	High grade investment.
Koppers Gas & Coke Deb. 5½s, 1950	54	44	1.9	1.9	103½	81	7.5	Medium grade.
Louisiana Pwr. & Lt. 1st 5s, 1957	18	18	3.2	3.1	105*	93	5.5	Reasonably sound. Recent earnings off.
Milwaukee Gas Light 1st 4½s, 1967	14	14	3.5	2.9	107½*	100	4.5	Sound investment issue.
Milwaukee Elec. Ry. & Light Ref. 1st (now 1st) 5s, 1961	64	64	2.9	1.9	103¾*	83	6.3	Medium grade issue.
Minnesota Pwr. & Lt. 1st & Ref. 4½s, 1978	36	29	2.2	2.1	102*	81	5.7	Medium grade.
Montana Power								
1st & Ref. 5s, 1943	44	25	2.3	2.0	105	85	7.1	Only fairly strong present conditions.
Deb. "A" 5s, 1962	44	13	2.3	2.0	104*	57	9.3	Junior to issue above and prior lns. thereto.
Nevada-Cal. El. 1st Tr. 5s, 1956	31	28	1.5	1.4	102½*	69	8.0	Represents large proportion of total debt.
New England Power 1st 5s, 1951	11	11	2.9	3.0	105	103	4.7	Strong, well-secured issue.
★New England Tel. & Tel. 1st "B" 4½s, '61	88	75	3.2	3.1	100 '53	107	4.1	Gilt-edged.
New York Steam 1st 5s, 1951	28	28	2.3	2.7	105*	104	4.7	Open mortgage. Better grade.
★Niagara, Lock. & Ont. Pr. 1st & Ref. 5s, '55	25	19	2.7	2.4	105*	104	4.7	Of good investment caliber.
North Amer. Lt. & Pr. Deb. "A" 5½s, '56	189	20	1.4	1.3	102½*	45	13.2	None too strong holding co. obligation.
Penn. Central Lt. & Pwr. 1st 4½s, 1977	28	28	2.6	2.4	105*	79	5.8	Receivership of parent co. adverse influence.
Public Service Corp. of N. J.								
Perpetual 6% Certificates	230	19	2.9	2.9	N C	118	5.1	Well secured by stock of subsidiaries.
Pub. Serv. El. & Gas 1st & Ref. 4½s, '67	119	91	4.0	3.8	104½*	105	4.2	High grade issue.
★United Electric N. J. 1st 4s, 1949	119	18	4.0	3.8	N C	102	3.8	Underlies Public Service 1st & Ref. issues.
Southwestern Bell Tel. 1st & Ref. 5s, '54	51	49	5.6	5.8	105 '34*	107	4.5	High grade issue.
Toledo Edison 1st 5s, 1962	28	28	4.3	3.5	105*	97	5.2	Better grade.
West Penn. Power 1st "G" 5s, 1956	47	47	4.0	4.1	105*	106	4.6	High grade investment issue.

Industrials

Company	Total funded debt (mil'ns)	Amount of this issue (mil'ns)	1930	1931	Call‡	Recent	Yield to Maturity	COMMENT
American International Conv. Deb. 5½s, '49	21	21	..	..	105	80	7.7	Not over well secured on basis current market value of underlying securities.
Bethlehem Steel Corp.								
P. M. 6s, 1998	136	8	4.3	1.0	N C	102	5.9	Strong underlying issue.
1st Lien & Ref. 5s, 1942	136	25	4.3	1.0	105	88	6.8	High grade under normal conditions.
P. M. & Imp. 5s, 7.1.36	136	25	4.3	1.0	105	95	6.6	Now affected by lack of earnings.
Midvale Steel & Ordnance 5s, 3.1.36	136	33	4.3	1.0	105	94	7.3	High caliber lowered by poor business.
Pacific Coast Steel 5s, 1933/1940	136	10	4.3	1.0	100	..	..	Unsecured by mtge. Guar. Beth. Steel.
McClintic Marshall Col. Tr. 5½s, 1932/'37	136	10	4.3	1.0	102½	..	..	Reasonably strong.
Dodge Bros. Deb. 6s, 1940	44	44	1.1d	1.7d	107*	91	7.7	d Earnings Chrysler—Medium grade.
Goodyear Tire & Rubber 1st & Coll. 5s, '57	61	56	3.0	2.2	103*	85	6.2	Better grade industrial issue.
Illinois Steel Deb. 4½s, 1940	30	19	20.0a	3.4a	105	102	4.2	a U. S. Steel's earnings, guarantor.
Inland Steel 1st "A" 4½s, 1978	42	42	6.0	1.7	102½*	76	6.1	Strong industrial issue.
Phillips Petroleum Deb. 5¼s, 1939	34	32	2.4	def	101⅜*	74	11.3	Speculative, albeit not without merit.
Std. Oil Co. (N. J.) Deb. 5s, 1946	173	90	7.4	3.2	102*	105	4.5	Industrial issue of the highest class.
Wheeling Steel 1st & Ref. (now 1st) "B" 4½s, 1953	30	30	2.6	def	102½*	55	9.6	Bordering upon the speculative under present conditions.
Western Electric Deb. 5s, 1944	35	35	4.3	3.3	105 '34*	100	5.0	Strong issue, though company lost money 1932.

Short-Term Issues

Company	Due date	Amount of this issue (mil'ns)	Fixed Charges times earned† 1930	Fixed Charges times earned† 1931	Price Call‡	Price Recent	Yield to Maturity	COMMENT
Colorado Industrial Co. 1st 5s	8.1.34	28	1.2	def	N C	30	..	Guaranteed Colorado Fuel & Iron, whose business is hard hit.
Consumers Power 1st & Ref. 5s	1.1.36	33	4.5	3.7	105	106	2.9	Exceedingly high grade issue.
★Cumberland Tel. & Tel. Gen. 5s	1.1.37	15	3.9m	3.7m	N C	107	3.1	m Earnings Sou. Bell Tel. assuming co.—Highest grade.
Edison Electric Ill. (Bos.) Notes 5s	5.2.35	125	3.2	3.2	101*	103	3.7	Company enjoys a fine credit standing.
★San Fran. Gas & Electric Gen. 4½s	11.1.33	5	2.4r	2.4r	N C	101	3.5	r Earnings Pacific Gas. Highest grade.
Texas Power & Light 1st 5s	6.1.37	25	2.2	2.0	105	104	4.0	Safe investment.
Third Avenue R. R. 1st 5s	7.1.37	5	1.6	1.9	N C	89	8.0	Among the stronger traction issues.

★ Our preferences in above list. † Fixed charges times earned is computed on an "over all" basis. In the case of a railroad, the item includes interest on funded and other debt, rents for leased roads, miscellaneous rents, etc.; in the case of a public utility it includes interest on funded and unfunded debt, subsidiary preferred dividends, minority interest, etc. ‡ An entry such as 105 '36 means that the bond is not callable until 1936 at the price named. * Indicates that the issue is callable as a whole or in part at gradually decreasing prices.

PUBLIC UTILITIES

AMERICAN TELEPHONE & TELEGRAPH | WESTERN UNION | INTERNATIONAL TELEPHONE & TELEGRAPH

Three Leaders in Communication

Investment and Speculative Possibilities Offered

By Francis C. Fullerton

AMERICAN communication companies possess total resources in excess of seven billion dollars. More than half a million employees of all kinds are directly dependent upon them. Investors to the number of a million have a stake in one form or another on the business. Is it any wonder that prosperity, or lack of prosperity, in the communication field is a matter of prime importance to the country as a whole?

The three principal organizations, the American Telephone & Telegraph Co., the International Telephone & Telegraph Corp., and the Western Union Telegraph Co. have, of course, by no means entirely escaped the adverse effects of the current depression. On the other hand, they have suffered considerably less than the average industrial concern, their position lying somewhere between this low level and the relatively high plane on which the electric public utilities have managed to sustain their business. The reasonably high resistance to depression may be attributed to the fact that activity in the communication field is not solely dependent upon business conditions, and even where it is so dependent, communication facilities must be used in some degree no matter how bad general trade. Also, much credit must be given the companies themselves for the curtailment of expense and the expansion of both basic and by-product service. It will be well to remember that part of this increased efficiency will certainly be carried forward into the period of business improvement, and that the increased efficiency will be further bettered by the continuous stream of technical improvements which are being installed by all the companies.

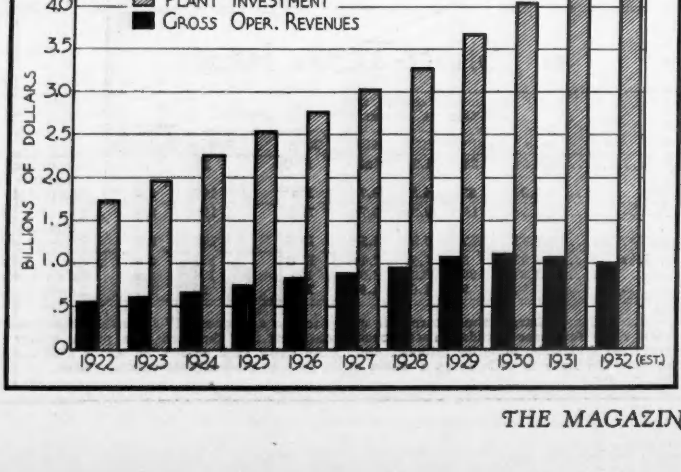
Different Fields of Activity

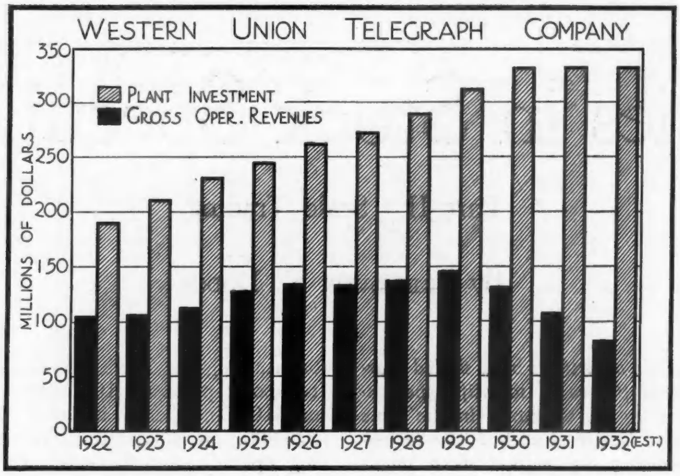
There is, however, danger that generalizations in regard to the communication field be carried too far, for the business offers many inherent differences subject to varying influences. Indeed, in many respects the business of the American Telephone & Telegraph Co. is not the same as that of the International Telephone & Telegraph Corp., while that of Western Union is still different despite the fact that it overlaps International's at important points, and is similar to American Telephone in being primarily a domestic organization.

Of the three companies the American Telephone & Telegraph Co. has fared the best under the adverse conditions of the past few years. The drastic curtailment of business activity and the precipitous drop in public purchasing power, however, have not been without serious adverse effects. The number of Bell-owned telephones in operation is now more than 10% below the maximum reached in 1930. Disconnections were particularly severe last summer, but in more recent times there has been some slowing up in the net number of instruments lost per month.

The loss of phones and the lower revenues derived from those that remain in operation naturally has cut into American Telephone's earnings sharply. For the first nine months of last year, the company reported net income of $110,541,623 after charges and Federal taxes. This was equivalent to $5.92 a share on 18,661,405 shares, the average number outstanding during the period. In the corresponding previous period $7.01 a share was reported.

On the basis of the latest available report, the American Telephone & Telegraph Co. will report earnings of about





$7.75 a share for the full year 1932, which, of course, will fail to cover the regular $9 dividend on the common stock. But it must be remembered that the company is both a holding and operating company. Dividends from subsidiaries make up the greatest part of its income and the $5.92 a share reported for the first nine months of last year was unearned by about $18,000,000 or nearly $1 a share. Furthermore, the Western Electric Co.—the almost wholly-owned, giant electrical equipment subsidiary—paid no dividends for the period and will probably close the year with a loss of more than $10,000,000. The American Telephone & Telegraph Co.'s net earnings on a consolidated basis therefore will probably prove to have been little better than $6 a common share for the full year 1931.

Western Union, however, the other communication company which is primarily domestic, has fared considerably worse. Reporting to the Interstate Commerce Commission for the first ten months of last year, a gross of $70,219,286 was shown, compared with a gross of $92,365,057 for the corresponding previous period. In the latest period there was a net loss, after taxes and charges, of $848,344 against a net profit of $5,411,545 in the first ten months of 1931. The fact that this company failed to earn its fixed charges last year is not without its serious aspect, for the company's financial position is not particularly strong and recourse has already been had to the banks.

In the International Telephone & Telegraph Corp. we have a concern which may be said to typify the whole of the world's present troubles. Like the other two companies, its business in the United States has suffered from the lack of trade activity and the curtailment of public purchasing power. A subsidiary, Postal Telegraph & Cable Co., reported a net loss of $1,233,122 after interest and charges for the first nine months of last year. This was about the same as the loss reported for the corresponding previous period and presumably there is some consolation to be derived from the fact that it might have been worse in view of the decline in general business. Gross, however, was sharply lower and the loss was only held in check by the drastic curtailment of expenses, including depreciation. In addition to this, International's radio and cable business originating in this country has been adversely affected by the same causes that cut into the domestic telegraph business.

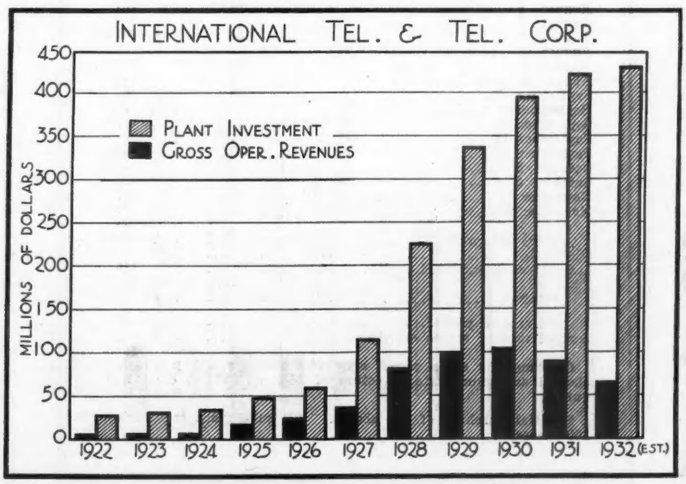
While similar factors have also been operative to lower the volume of business done by the International Telephone & Telegraph Co. abroad, the company's troubles have been intensified by political unrest, fluctuating currencies, and the very important practical difficulty of getting its money home.

The transfer problem has been particularly acute for the company. Capital is in American dollars. Interest must be paid in dollars, while many executives draw dollar salaries, and large purchases of equipment are made from a dollar price list. Yet the company's revenues are primarily in Argentine, Chilean, Uruguayan and Mexican pesos, Spanish pesetas, Peruvian soles, Brazilian milreis and other monies, all of which are depreciated. Now, despite the fact that much is collected on the *basis* of dollars this is by no means the same thing as collecting dollars themselves. The money has to be actually converted and in many countries the government controls the exchange, which is to say that it is only possible to buy as many dollars as the government will let one have, regardless of nominal rates and the amount of money one might wish to move.

As a direct result of all these adverse factors, the International Telephone & Telegraph Co. reported a net loss of $1,379,948 after taxes and charges for the first nine months of last year, compared with a net profit of $6,591,978 for the corresponding previous period. The company is heavily indebted to the banks.

Despite the fact that all communication services compete one with another, each has its own sphere and, while business may be lost to another service, there is certainly no prospect of any disappearing entirely. Moreover, all will be favorably affected in greater or less degree by an improvement in general business. The degree will be greater and the improvement faster for those which have been hardest hit—the telegraph companies—and less for those whose business has stood up comparatively well. Nevertheless, if Western Union and that part of International Telephone & Telegraph represented by Postal Telegraph & Cable can expect most from business improvement, the longer term outlook for the American Telephone & Telegraph Co. is the better. This is because the telegraph busi-

(Please turn to page 406)



Studies in Stock Speculation

Part II. Scale Trading

By FREDERICK K. DODGE

This is the second in a series of articles by a skilled market technician on the various phases of scientific speculation. In the former article, which appeared in the issue of December 24, 1932, Mr. Dodge discussed the technical considerations in appraising the market as a whole or a single issue. In this installment he takes up the absorbingly interesting subject of scale trading with particular reference to its utilization under present conditions. These articles are not theoretical and we believe that readers interested in speculative operations or in the application of technical factors to investment problems will find them practical and helpful.—EDITOR.

IN a general way, scale trading is a method of operation whereby a security is gradually disposed of as it advances and gradually accumulated when it declines. The main objective of this system of speculation is to take advantage of the minor fluctuations in a stock.

Intelligently pursued, the method is frequently profitable, the degree of success depending on the ability or good fortune of an operator in selecting an issue that has frequent and sizable fluctuations in price, within the trading area to which the operator's activities are limited. Obviously there must be a limit to the trading area for the greater the area covered, the greater the capital required. For example, if a two-point scale is being used, and 500 shares of stock have been purchased initially, after a 10-point move upward the stock would all be disposed of and if the issue went into higher grounds, it would then be outside the zone of operation. It can be seen that if a trading range of 20 points on the upside is to be attempted on a two-point scale, the initial purchase of stock would have to be 1,000 shares instead of 500, and the capital necessary to swing the latter operation would be greatly increased.

The amount of capital employed is important in determining the success of the operation for obviously, a two-point profit on 100 shares would be 2% gross profit on $10,000, whereas it would be only 1% gross profit on $20,000. It is apparent, therefore, that for scale trading operations to be successful and show a satisfactory profit on the capital involved, good judgment is necessary in determining what price range the operation is to be conducted in.

There is a certain fascination in the idea of scale trading, and to many people it has undoubtedly proven to be a fatal fascination due to their inability to realize the dangers inherent in this method of operation. It is easy to go back over the price fluctuations of various stocks and illustrate how highly profitable scale operations would have been in many instances, but that is no indication that price ranges that were excellent for scale trading in the past will show the same results in the future. There is one flaw in the theory of scale trading, and it is so great a flaw that it transcends in importance all the favorable factors except in certain exceptional cases. This flaw lies in the fact that generally an arbitrary figure must be set below which the stock to be used must not go, and if the stock does violate this lower limit, not only the success of the operation is imperiled, but a large percentage of the capital employed may be lost.

That it is dangerous to forecast a minimum price for a security has been amply demonstrated in the past bear market. For example, in 1931 when Anaconda was selling around 30 it might have been selected as a logical candidate for scale operations, under a plan of buying 500 at 30 and 100 shares every two points down as far as 20. It could have been pointed out that over a 25-year period the stock had never sold under 24, and that 20 was a conservative price to consider as a low point. On an outright basis, this idea would have involved a capital of $25,000. The prospects appeared favorable for the success of the operation at that time for good reasons could have

Table I

General Electric 2 Point Scale

Capital Required $12,500 Price Range, 1 to 25

1932	Bought	Sold	Net Profit
May 11	*15	..	...
May 14	13	..	...
May 27	11	..	...
May 28	9	..	...
June 3	..	11	$172
June 27	9	..	...
July 22	..	11	172
July 27	..	13	167
August 3	..	15	167
August 5	..	17	167
August 6	..	19	167
August 12	17	..	...
August 16	..	19	167
August 29	..	21	167
September 7	..	23	167
September 9	21	..	...
September 12	19	..	...
September 13	17	..	...
September 21	..	19	167
October 5	17	..	...
October 8	15	..	...
November 7	..	17	167
November 23	15	..	...
Total net profit			$1,847
Dividends			110
Interest on unemployed capital at 4%			116
Total			$2,073
Annual rate of profit			3,553
Annual rate of return on capital			28.4%

Covering the same period and price range a 1½ point scale showed an annual rate of return of 26% on $17,000 capital required.

* Initial purchase of 500 shares. All subsequent transactions 100 shares.

been advanced why fluctuations were likely to be between the levels of 20 and 40 for some time to come. As it was an active issue there would be many turns to be made on the basis of a two-point scale. The 25-year price range, however, turned out to mean nothing, and the stock declined to a low of 3 in 1932. Possibly $2,000 or $3,000 would have been realized in turns before the stock broke through 20, but this would have been small consolation with the stock at current levels showing a paper loss on the operation of $17,000. Had this operation been planned with the idea of buying every two points down no matter how far the stock went, it would have required an original capital of $35,000, but results would have been more favorable, for the reason that advantage will have been taken of all the fluctuations in price between 3 and 20 covering two points. These turns would have considerably reduced the loss and the average cost of holdings would have been brought down to a price where there would be a much better chance of ultimately working out of the situation satisfactorily.

Table II

Montgomery Ward 1½ Point Scale

Capital Required $10,000 Price Range, 2 to 20

1932	Bought	Sold	Net Profit
March 9	*11	..	...
March 14	9½	..	...
March 31	8	..	...
April 8	6½	..	...
April 15	..	8	$127
May 14	6½	..	...
May 25	5	..	...
May 31	3½	..	...
June 3	..	5	127
July 25	..	6½	127
August 3	..	8	127
August 4	..	9½	127
August 6	..	11	122
August 8	..	12½	117
August 9	11	..	...
August 11	..	12½	117
August 12	11	..	...
August 13	9½	..	...
August 15	..	11	122
August 24	..	12½	117
September 2	..	14	117
September 12	12½	..	...
September 13	11	..	...
September 21	..	12½	117
September 21	..	14	117
September 24	..	15½	117
October 5	14	..	...
October 7	12½	..	...
October 8	11	..	...
October 14	..	12½	117
October 24	11	..	...
November 7	..	12½	117
Total net profit			$1,932
Interest on unemployed capital at 4%			80
Total			$2,012
Annual rate of profit			3,018
Annual rate of return on capital			30.2%

Covering the same period and price range a 2 point scale showed an annual rate of return of 29% on $8,000 capital required.

* Initial purchase of 600 shares. All subsequent transactions 100 shares.

Buying and selling on a scale is indulged in frequently by men of means who hold large blocks of stocks in certain companies. This, of course, is an entirely different proposition from that of an individual, or group of individuals, selecting a stock for scale trading purposes, for in the former case, the stock is considered in the nature of a more or less permanent interest, and an effort is simply made to take some advantage of the market fluctuations in the stock. In other words, it represents investment holdings that are let go at times with the express purpose of repurchasing lower down.

As a purely speculative operation, scale trading cannot be considered sound unless there is sufficient capital employed to enable the operator to buy on a scale down to any price to which the security may go. This tends to bar out high priced issues for the reason that so much capital is required to protect the operation to the extent of 100%, that the return would be insufficient to warrant tying up so much capital for an indefinite period. When the stock market is at relatively high levels, it is extremely difficult, if not impossible, to find stocks selling at a low price level that have sufficient fundamental soundness to warrant their use for scale trading. However, when the stock market is at an exceptionally low level as at present, many such issues can be found. At such a time, and such a time only, is this method of operation worth serious consideration.

The price level being right, what vehicle to use must next be given most careful consideration. In a general way it should meet the following requirements: (1) Impregnable financial condition; (2) high grade management; (3) speculative appeal and a record of fluctuation that over a long period has shown a satisfactory price movement. As long as a corporation has plenty of money, there is no danger of reorganization or that it will go out of business, and enough speculative interest will remain in the stock to influence market movements and thus provide the requisite swings in price. Consequently, if scale trading operations are initiated at a satisfactory price level, the operation can be successful even if the company is not ultimately destined to enjoy high prosperity. For example, American Woolen common around the 15-16 level in 1928 was suitable for scale trading operations in view of the company's great financial strength at that time. Despite the fact that large deficits were reported in 1928, 1929, 1930 and 1931, nevertheless, the stock sold as high as 27⅞ in 1929, and 20¼ in 1930 and there could have been nearly two years of successful scale operations. There are better stocks than this available at the present time, and American Woolen is given as an example simply to illustrate the point that a stock can retain its speculative appeal and have good price fluctuations despite unusually poor operating results. High grade management is a necessary protection for if a company is lucky enough to possess a large amount of cash, you want to feel sure that it will not be dissipated (*Please turn to page* 407)

Table III

Consolidated Oil 1 Point Scale

Capital Required $3,500 Price Range, 1 to 10

1932	Bought	Sold	Net Profit
June 15	*5	..	...
July 21	..	6	$77
July 25	..	7	77
July 26	..	8	77
August 10	..	9	77
August 12	8	..	...
September 6	..	9	77
September 9	8	..	...
September 13	7	..	...
November 3	6	..	...
November 12	..	7	77
November 16	6	..	...
December 28	5	..	...
Total net profit			$462
Interest on unemployed captal at 4%			30
Total			$492
Annual rate			984
Annual rate of return on captal			28%

Covering the same period and price range a 1½ point scale showed an annual rate of return of 22% on capital required.

* Initial purchase of 500 shares. All subsequent transactions 100 shares.

Profit Prospects in Cans

A Critical Discussion of the Tin Container Industry and the Outlook for Leading Companies

By Nicholas T. Calhoun

THE ordinary tin can, which one may open for an almost infinite variety of contents, is a quite prosaic article, serving briefly a useful function before being tossed away as valueless. Yet, as many drops of water make a flood, the millions of us who open and throw away tin containers support a vast industry in a manner which, if not currently as prosperous as the can makers would like, is at least relatively comfortable under conditions of depression.

Some idea of the magnitude of this business can be had from the fact that during the past two years more steel has gone into tinplate than into rails. The comparison is of interest in more than the matter of volume. The significant fact is that steel rails endure for a time, which, at least from the point of view of the manufacturer, is painfully long. The life of the tin container, even though there may occur temporary periods of excessive stocks, is essentially transient.

In ripping it open and throwing away the "empty" we automatically create a relatively fast replacement demand for the manufacturer. Moreover, regardless of the inevitable vagaries of nature and of human economy, a varying but large total of perishable foods matures year in and year out and has to be preserved.

These basic attributes provide a relatively stable foundation of demand for the can industry, even though it can by no means be regarded as depression-proof. And in addition to being favored by a reasonably consistent demand, there are important operating advantages in the fact that the industry is less intensely competitive than most and in the further fact that it is organized for fairly ready adjustment of its prices to variations in the price of tinplate, its raw material.

Even in the above brief appraisal of fundamentals we have a clear explanation to account for the circumstance that the three prominent corporations in this industry—American Can, Continental Can and McKeesport Tin Plate—have continued to operate at a profit, albeit a reduced one, throughout the worst depression we have ever known, while so many other industries have plunged into the red. Similary, under the conditions above set forth, it is not surprising that the major companies in this field are notably free from any worries as to debt, capitalization or survival.

American Can Co.

	Earned per Share
1932 (est.)	$3.35
1931	5.11
1930	8.08

Net working capital, $36,573,000

Continental Can Co.

1932 (est.)	2.60
1931	3.27
1930	5.04

Net working capital, $30,706,000

McKeesport Tin Plate Co.

1932 (est.)	4.00
1931	6.51
1930	8.34

Net working capital, $4,174,000

Accordingly, the industry itself and its three largest corporations are eminently deserving of investment consideration at a time when the participating securities, while well above the lowest quotations of depression, are at levels sufficiently deflated to suggest substantial long-pull promise, both as regards fair dividend yield and possible appreciation of principal.

In view of the developments of the past three years, one hesitates to risk dogmatic forecast as to the long-term prospect of any industry. During the past twenty-five years' production of canned foods in this country is estimated to have increased by 400%. This growth was due to increased urban population, to development of the chain store, popularization of packaged, rather than bulk, goods through extensive advertising and to the improved quality and economy of canned foods. At the same time, especially during the last decade, there has been a considerable growth in the use of "general line" cans for an increasing variety of products other than foods.

Growth in use of both packers and general line cans for years prior to the depression expanded at a rate much faster than the rate of population increase. It would probably be the part of conservatism to assume that this trend will to some extent flatten out in the future, yet there is certainly no "saturation point" in sight. Moreover, there is little reason to doubt that normal replacement demand will indefinitely provide a profitable total of demand, whether its long-term growth matches that of the past or not.

We are on substantially surer ground in considering the industry's near-term prospect, say, for a year or two ahead. Obviously, the sale of general line cans will fluctuate in very close comformity with the movement of general business. If the present year ushers in the beginning of industrial revival, it should be reflected rather quickly in general line containers.

Of more importance, however, in relation to profits of the can companies is the early prospect for packers cans. Here there is a statistical basis for expecting some improvement, even if general economic conditions merely remain at approximately the present level. Surplus stocks of canned food on hand have been materially reduced in the last year and the conditions affecting financing by canners have improved.

The last quarterly survey made by the Foodstuffs Division of the Department of Commerce as of October 1

shows such significant changes as the following: Peas in the hands of 114 canners totaled 5,731,591 cases, as compared with 7,691,271 a year previously; canned corn held by 141 firms totaled 8,865,633, against 11,644,872 cases a year previously; tomatoes held by 223 concerns totaled 708,840 cases, against 1,472,503 at the same time in 1931. There were similar proportionate declines in canned stocks of peaches, beans, pears and pineapples.

The 1932 pack of corn was only half that of 1931 and only slightly more than half that of the average for the years 1925-1929. The 1932 pack of peas, tomatoes, string beans, peaches and pineapples likewise was considerably under the five-year average of 1925-1929. Since packers of food products consume at least two-thirds of the entire output of metal containers, it is not surprising that in the last year, while packing operations were being curtailed and stocks worked off, the activities of the can manufacturers were sharply reduced. It is probable that the total demand for packers cans in 1932 was fully 20% under that of 1931.

Conversely, however, while adversely affecting 1932 profits, this reduction in stocks is definitely favorable, establishing a foundation for improved activity within the next year or two.

Moderate improvement in general business, as compared with the panic level of last summer, has been reflected proportionately in demand for general line containers, although this division is still at an unsatisfactory level. The prospect for all types of cans should be improved by the recent reduction in the price of tinplate from approximately $4.75 per case to $4.25.

American Can, welded over a period of thirty years out of an originally loose merger of some 100 factories, ploughed back its earnings for twenty-two years before paying common dividends. Indeed, in the last twelve years fully $80,000,000 out of profits have gone into plant improvement, without outside financing of any kind. As a result of conservative and efficient policies of expansion, together with a quarter-century of fast growth in consuming demand, the company has attained high rank among the premier industrial enterprises of the world.

Producing approximately 45% of the total domestic output of cans, or three times the volume of Continental Can, next ranking competitor, American Can is by far the largest unit in the industry. From 55 to 60% of its output consists of packers cans.

The company has no funded debt, capitalization consisting simply of 412,333 shares of $7 cumulative preferred stock and 2,473,998 shares of common. Operations are on a notably efficient cost basis. While the company has long been subject to some criticism for the infrequence and incompleteness of its reports, the cumulative evidence is sufficient to indicate that its accounting methods lean to the side of conservatism.

American Can does not issue quarterly reports. Last September, however, it was officially stated that earnings for 1932 would probably be approximately $3.25 per share, that business volume was running 20% under 1931, that demand was at that time showing some improvement, that the company had no bank loans outstanding and that "cash position is good."

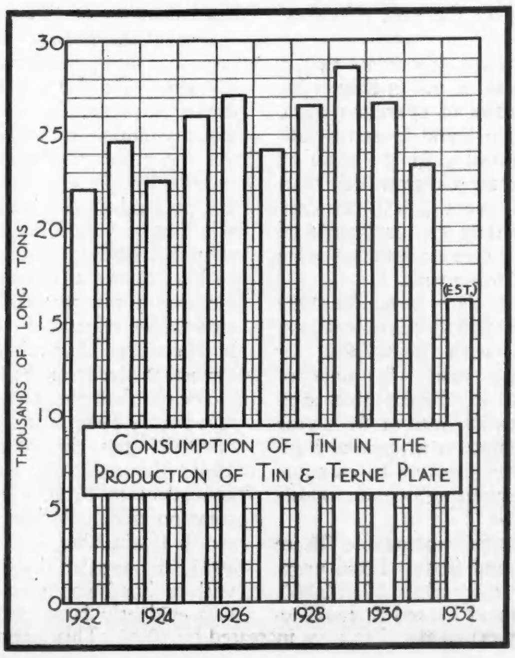
The 1932 estimated profit of $3.25 per share compares with $5.11 in 1931 and $8.08 per share in 1930, the peak year. The present dividend rate is $4 per year on the common. Obviously, at present levels of business, continued payment will involve a moderate recourse to surplus. At worst, however, a payment of, say, $3 would seem possible of maintenance.

Continental Can, second most important manufacturer, holds a strong trade position and apparently finds the matter of relative size no very great handicap. The fact that approximately 70% of its output consists of packers cans lends it an element of stability. General line containers, which are most influenced by prevailing business fluctuations, account for only 30% of the company's volume, a substantially smaller percentage than in the case of its larger rival. The company operates thirty-nine plants in this country and Cuba, strategically situated in relation to the fruit and vegetable pack.

Its capital position is notably strong, the sole obligation being 1,733,345 shares of stock. There are no bonds, preferred stock or bank loans. Expansion of operations has been fairly rapid, but conservative. In the past seven years the company's plant account increased from approximately $20,000,000 to $47,000,000, while earned surplus in the same period increased from less than $6,000,000 to more than $17,000,000.

Current assets, including $9,225,000 cash, are $32,589,000 and current liabilities only $1,883,000. Per share earnings for 1932 are estimated at approximately $2.60, as compared with $3.27 in 1931 and $5.04 in 1930. The present dividend of $2 annually appears adequately secure.

McKeesport Tin Plate Co., as the name implies, is a manufacturer of tinplate, numbering both American Can and Continental Can among its important customers. Since 1927 it has also controlled the Metal Package Corp., third largest can maker in the country. This manufacturing branch of its business, now taking one-fourth of the parent company's tinplate output, has in recent years become increasingly important as a producer of profits and a stabilizing influence.



The McKeesport management has to its credit the notable achievement of turning out some 10% of the country's tinplate, although its plant capacity is rated at only slightly more than 7% of the country's total. Moreover, in six years prior to 1931 operating earnings were increased 150% with an unchanged plant capacity and only a modest gain in gross sales.

The company has no funded debt, bank loans or preferred stock, sole capitalization being 300,000 shares of no par stock. The floating supply of the stock being so small, its market fluctuation is relatively volatile. This feature in a period of depression offers considerable speculative attraction. The corporation has paid dividends continuously for twenty-five years, the pres-

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After Three Years of Depression—

What Is the Investment Outlook For These Companies?

THESE analyses are designed to give a concise picture of how prominent companies in which readers may be present or prospective partners are meeting the difficulties of these unusual times. All of them are not to be construed as recommendations. In fact, numerous companies in an unfavorable position are frankly discussed as well as those more fortunately situated. Selections may of course be made from those favorably described but even in these it is recommended that commitments be assumed only in accordance with the counsel given in the market article which appears in each issue of this magazine.

Nash Motors Co.

Position of industry: Depressed; revival awaits restored public purchasing power.

Net current assets per share, $13.

Recent price	Dividend	Yield
$14	$1	7%

UNDER present conditions the mark of good management and of a sound trade position in the case of an automobile company is not measured in terms of huge profits. In this industry, keenly competitive and vitally dependent upon mass purchasing power, deficits for the year 1932 are the rule. Where a margin of earning power is still shown, it is small.

Yet the maintenance of even small profits, plus preservation of financial strength, is clear indication that the Nash Motors Co. has survived three years of depression in relatively strong manner and offers logical assurance that it is likely to participate satisfactorily in the next period of improved demand for automobiles.

It is only under the stress of acute depression that a corporation's good and bad qualities stand out in clear light. The Nash strong point is rigid control of operating costs, low property investment and strongly liquid financial position. For years it has led the industry in the ratio of profits to sales. Nothing could better illustrate this than the fact that while Nash sold only some 2,500 cars during the third quarter of 1932, or only the equivalent of one week of normal operation, these cars nevertheless were sold at a profit of approximately $70 per unit.

For the year ended November 30, Nash earned $1,029,552 or 38 cents a share on the 2,730,000 shares of common stock outstanding, as compared with $4,807,681, or $1.76 a share, for the preceding year. In view of this sharp decline in earnings it is obvious that continuation of the present dividend at the rate of $1 a year must depend either upon an early upturn in general business or upon the willingness of the directors to continue making distributions out of the corporation's generous surplus.

The Nash capital position is virtually impregnable. There are no obligations ahead of the capital stock. Fixed properties are carried at only slightly more than $7,000,000, inventories at $500,000, while cash and United States Government securities total nearly $33,000,000.

Penick & Ford, Ltd.

Position of industry: Conflicting influences, some favorable others adverse, have given a net result of fair stability.

Net current assets per share (12/31/31) $10.38

Recent Price	Dividend	Yield
$30	$1 plus	3.3%

PENICK & FORD, LTD., may be described aptly as the little Corn Products Refining Co. It manufactures, in both bulk and package form, the derivatives of corn. These include industrial and edible starch, corn sugar and corn oil. In the trade-mark division, which contributes about a third of gross income, Penick & Ford's best known products include Brer Rabbit molasses and syrup, Penford corn syrup and corn sugar, Penick syrup and salad oil and Douglas starches and feeds. The company's main plant is located at Cedar Rapids, Iowa, and has a capacity of about 35,000 bushels of corn a day.

During the present depression the business of Penick & Ford has been subjected to a number of conflicting influences. On the adverse side the list would include a decline in demand, the drop in corn prices and the consequent tendency toward inventory loss, sharper competition especially from substances in an entirely different field, and finally the unfavorable effects of financial, economic and political chaos abroad. On the other hand, the favorable factors would include the manner in which the company has held the decline in the demand for its products within bounds, the widening profit margin resulting from the drop in raw material and other costs, and the beneficial, cumulative effects of the company's highly conservative bookkeeping. The adverse influences, however, have been somewhat the stronger.

For the first nine months of 1932, Penick & Ford's earnings before Federal taxes totaled $658,846, compared with $840,355 for the corresponding previous period. For 1931, the company reported a profit after all charges equivalent to $2.50 a share on 400,000 shares of no-par common stock. While earnings for 1932, when the final report is available, will clearly be somewhat lower than in 1931, the regular dividend of $1 a share will be covered with a handsome margin to spare. Indeed, the margin was evidently large enough to justify a generous attitude

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Taking the Pulse of Business

— Credit Outlook Encouraging

— Bond Trend Encouraging

— New Orders Sustained

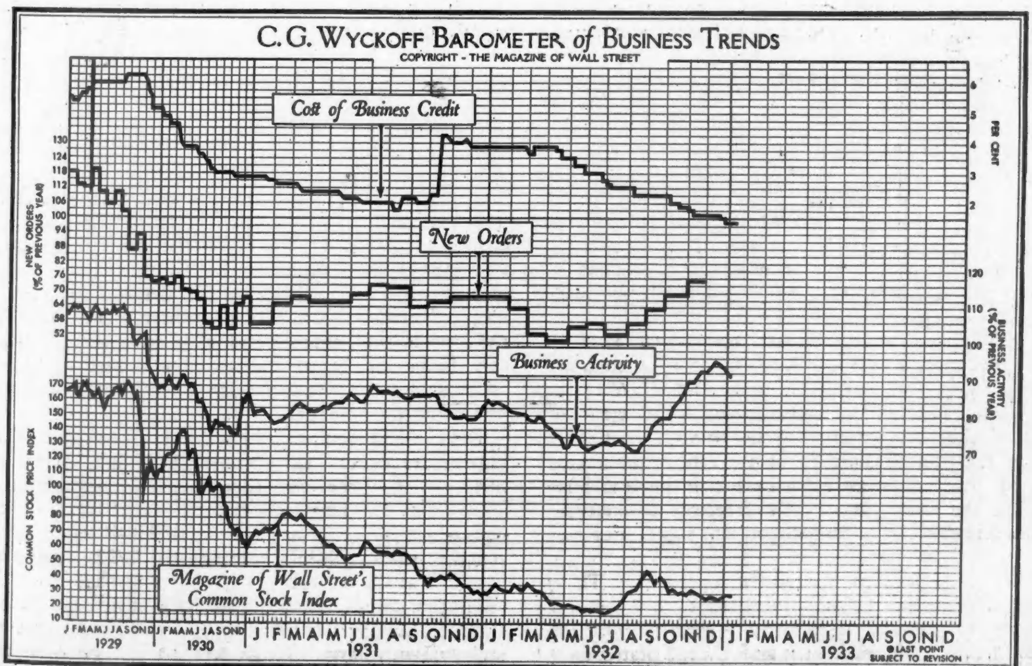
— Heavy Industries Sluggish

— Next Few Weeks Highly Indicative

WITH little hope that the present "lame duck" Congress will venture to assume responsibility for Government action on pressing problems which must be settled before business can plan confidently for the future, the Federal Reserve Board's recent official announcement of its intention to maintain the present easy money policy is not without encouragement. It will be recalled that last year, through huge purchases of Government securities, the Board's open market operations helped to build up excess reserve of over half a billion dollars. These could permit an expansion of over five billions in bank deposits and, in the process, afford a powerful stimulus to business recovery if sufficient confidence prevailed. To date, however, little expansion in commercial bank credit has taken place; because bankers have been afraid to make use of these excess reserves lest the ground be cut from under their feet later on, by a reversal in the Board's open market policy. Now some of this apprehension is removed and it may be a general feeling that credit expansion will begin to "take." In this connection it is noteworthy that member banks have already begun to purchase non-Government bonds more freely, and the result has been rising prices for high grade railroad and public utility issues, many of which have attained new heights since the recovery started last summer. With further improvement in the market for industrial bonds we shall witness a better demand for new flotations, and business improvement should proceed at a more rapid gait.

Meanwhile it is to be hoped that efforts toward further artificial stimulation can be restrained. Any thoughtful person, who considers anything more than immediate effects, know that we already have taken sufficient steps to give us all the inflation that is good for us without further tampering with the currency. There is suggestive evidence of this in recent sympathetic strength in stocks and agricultural commodity prices, in the fact that December closed, for the first time in many years, with the Cost of Business Credit dropping to a new low record at a season when some stiffening in rates is normal; and in the recent reduction of first mortgage interest rates at New York. This latter movement toward relieving the burden of mortgage indebtedness is likely to spread.

So far as nearby business prospects are concerned, it is especially encouraging to observe that the latest point just entered upon our New Orders graph registers the fourth consecutive increase since July, and brings this index up to the highest level attained since March of 1930. In view of the gradually improving rate at which New Orders are being booked by leading industries, the recent moderate recession in Business Activity may be attributed in part to unusually extensive curtailment of production during the holiday season; though considerable hesitation in planning far ahead is evident at the present time on account of temporizing by Congress over vital economic problems. In a few weeks, however, the effects of distributing year-end adjustments will be out of the way and we shall have a clearer picture from the early 1933 business statistics of what measure of progress can be expected in nearby months. It can safely be said now, however, that the nearby industrial outlook, like the market for individual stocks and bonds, is decidedly mixed at the present time, as may be



gathered from the following brief outlook for a few typical lines of activity:

The Trend of Major Industries

STEEL—Ingot production for 1932 dropped to 13.1 million gross tons, the lowest since 1902, and only slightly better than 50% of the 25.2 millions produced in 1931. Prices for last year averaged about $1.16 below the average prices for finished products in 1931; and the low of $38.52, established last February 2, was 82c below the lowest price touched during the 1921-1922 depression. Under the circumstances, it is scarcely surprising that the industry as a whole reports an operating loss of $11 a ton, or $150,000,000, for the year. Prospects for the coming year are not very rosy; though, in view of the extremely low level of inventories, and the present indications of moderate improvement in general business activity, it is scarcely conceivable that 1933 will be quite so disastrous as 1932. The year opens with operations up to 15½% of capacity, from the low of 12% touched during the holidays. Last year the rate at this time was 25%. About the only bright spot at the moment is in tinplate where operations have been stepped up to 45% of capacity.

METALS—Although the domestic output of copper in 1932 was only half that in 1931, stocks on hand increased by about 6% during the year. Production quotas of the larger African mines have been stepped up sharply, and quoted prices for all non-ferrous metals are at or near their all-time lows. None of the domestic producers is making any money, and conditions in these industries would be close to chaotic were it not for the prospect of some sustaining demand during the present quarter from the usual spring rise in automobile production.

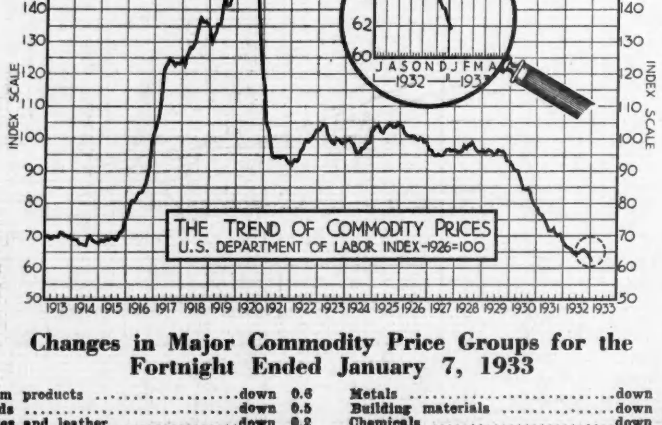
PETROLEUM—Renewed weakness in the prices for gasoline and crude oil render it unlikely that the petroleum industry as a whole will be able to earn much during the first four months at least of the current year. A number of unfavorable factors have led to the present unsatisfactory conditions. Among these are overproduction; falling consumption; rapid gains in the proportion of crude that can be turned into gasoline; the inducement to excessive drilling offered by basing allowable production upon potential capacity; the practice of operating refineries at a high percentage of capacity; earlier efforts by large producers and refiners to sustain an artificially high price level, rising gasoline taxes; and excessive inventories. Lower prices, however, will eventually serve to correct many of these weak points; so that the longer range outlook for the industry may still be regarded as moderately hopeful—especially if we are to experience within a few years any substantial improvement in general business activity.

TOBACCO — Continued curtailment last year in the public's purchasing power caused a sharp drop in the consumption of all forms of tobacco—even snuff, which has hitherto been notably stable. Further inroads into profits of the "Big Four" producers of popular brands was made by the growing popularity of little advertised 20-for-10-cents cigarettes which, it is estimated, have to date captured about 20% of the total sales. In actual numbers, more cigarettes than ever are probably being smoked now, if "roll-your-owns" be included; but both forms of competition have just forced the larger producers of popular 20-for-15-cents brands to slash 85 cents gross, or 75 cents, net, off the wholesale price, and prices at retail have dropped back again to 2-for-25-cents. At the estimated current rate of production of 80 billion cigarettes for the large companies, this means a cut in revenue of $60,000,000; though actual inroads into profits will doubtless be somewhat less, owing to the rise in consumption which is likely to result from the lower price.

CONSTRUCTION — Construction contracts awarded last year east of the Rockies amounted to only $1,350,000,000, which was less than half of the 1931 total, and but 21% of the volume in 1928. The largest drop was in residential construction, which fell to only 160,000 family units against normal provisions for over 800,000 families yearly. While Federal financed work will begin to fall off sharply within the next few months, some hopes are being entertained of a revival in residential building later in the year, under stimulus of lower costs and interest rates, and a slowly growing supply of mortgage funds.

Conclusion

While a certain amount of business hesitation is in evidence at the present time, and the outlook for individual industries presents numerous cross currents. Considerable encouragement for further gradual improvement in general activity during the first quarter of the present year may be derived from renewed strength in the prices for stocks, high grade bonds, and agricultural commodities since our last issue; from the continued recession in interest rates; from official reassurance that the present easy money policy is to be maintained; and from prospects that the incoming Administration will make a genuine effort to balance the Federal budget. It seems probable, however, that the pace of recovery will be more leisurely during the first half of the year than during the second half.

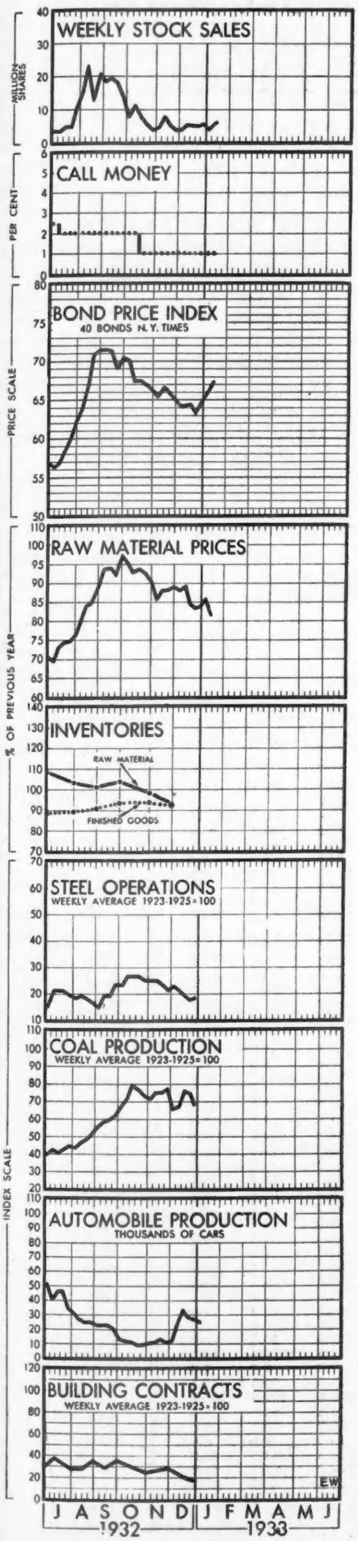


Changes in Major Commodity Price Groups for the Fortnight Ended January 7, 1933

Farm products	down	0.6	Metals	down	0.2
Foods	down	0.5	Building materials	down	0.2
Hides and leather	down	0.2	Chemicals	down	0.3
Textiles	down	0.1	House furnishings	down	0.2
Fuel and lighting	down	1.4	Miscellaneous	down	1.8

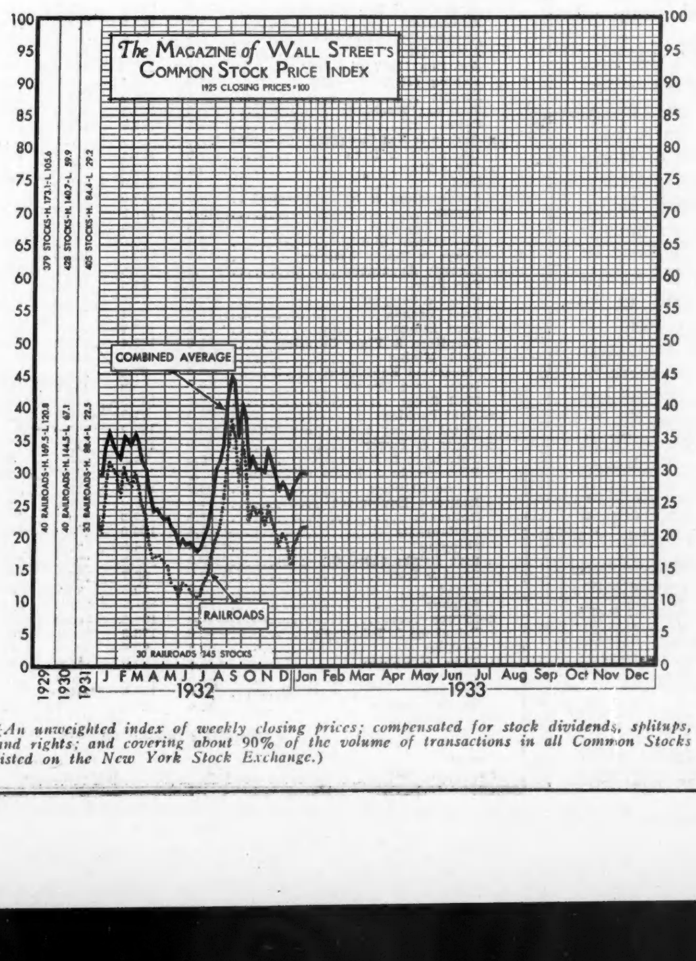
The Magazine of Wall Street's Indicators

Business Indexes



Common Stock Price Index

1932 Indexes High	1932 Indexes Low	1932 Indexes Close	No. of Issues		1933 Indexes High	1933 Indexes Low	Dec. 31	Jan. 7	Jan. 14
45.0	17.5	27.4	280	COMBINED AVERAGE	29.9	27.2	27.2	29.9	29.5
66.8	17.9	32.3	3	Agricultural Implements	41.2	32.3	32.3	41.2	39.5
59.3	11.4	16.9	6	Amusement	18.7	16.9	16.9	18.7	17.1
31.3	10.7	17.5	14	Automobile Accessories	20.5	17.5	17.5	20.5	19.8
17.6	5.8	10.6	14	Automobiles	11.4	10.6	10.6	11.4	10.9
62.5	16.2	56.2	4	Aviation (1927 Cl.—100)	62.3	56.2	56.2	62.3	56.8
13.1	4.8	5.6	3	Baking (1926 Cl.—100)	7.1	5.6	5.6	7.1	6.8
129.9	60.1	96.0	2	Biscuit	105.4	96.0	96.0	102.2	105.4
83.8	29.6	45.5	5	Business Machines	50.1	45.5	45.5	50.1	48.4
119.0	51.0	101.5	2	Cans	108.8	101.5	101.5	107.9	108.8
113.3	53.6	96.3	8	Chemicals & Dyes	102.3	96.3	96.3	101.7	102.3
44.3	13.1	18.9	2	Coal	20.2	18.8	18.9	20.2	18.8
24.8	9.9	14.2	14	Construction & Bldg. Mat....	15.1	14.2	14.2	15.1	15.1
57.2	14.9	24.0	8	Copper	27.3	24.0	24.0	27.3	26.1
57.8	28.3	32.6	2	Dairy Products	34.0	32.6	32.6	34.0	32.6
16.3	4.5	7.9	7	Department Stores	8.3	7.9	7.9	8.3	8.1
74.3	35.1	53.7	8	Drugs & Toilet Articles......	53.7	52.5	53.7	53.2	52.5
63.9	28.7	42.2	4	Electric Apparatus	46.3	42.2	42.2	46.3	45.8
58.7	23.7	33.2	2	Finance Companies	39.4	33.2	33.2	37.7	39.4
56.1	28.3	39.5	5	Food Brands	42.6	39.5	39.5	42.6	40.8
56.4	33.9	49.6	3	Food Stores	50.4	49.6	49.6	50.4	49.6
41.8	11.7	17.0	2	Furniture & Floor Covering..	17.3	17.0	17.0	17.3	17.1
527.8	357.9	514.0	2	Gold Mining	541.3	481.2	514.0	541.3	481.2
21.1	9.6	12.4	4	Household Equipment	13.4	12.4	12.4	13.4	12.9
31.5	9.5	22.0	7	Investment Trusts	26.5	22.0	22.0	26.5	22.2
27.4	7.7	20.0	2	Mail Order	21.8	20.0	20.0	21.8	21.5
55.8	19.3	30.1	7	Metal Mining & Smelting....	33.0	30.1	30.1	33.0	32.6
42.4	21.6	33.2	24	Petroleum & Natural Gas....	34.8	31.7	31.7	34.8	34.6
22.5	6.2	9.8	4	Phonos. & Radio (1927—100).	11.1	9.8	9.8	11.1	11.1
94.9	37.1	63.5	20	Public Utilities	68.2	63.5	63.5	68.2	67.7
37.8	12.0	17.7	8	Railroad Equipment	21.2	17.7	17.7	20.4	21.2
37.8	10.4	18.1	29	Railroads	21.3	18.1	18.1	21.0	21.3
44.4	14.9	27.0	2	Restaurants	29.3	27.0	27.0	28.0	29.3
89.9	58.0	60.8	2	Soft Drinks (1926 Cl.—100)..	65.1	60.8	60.8	63.4	65.1
45.9	11.7	23.3	7	Steel & Iron	26.3	23.3	23.3	26.3	25.7
12.4	3.8	7.3	3	Sugar	7.5	7.3	7.3	7.5	7.4
121.6	53.9	112.1	2	Sulphur	116.8	112.1	112.1	116.6	116.8
57.2	21.0	35.9	3	Telephone & Telegraph.......	38.8	35.9	35.9	38.8	38.0
52.5	16.3	30.1	5	Textiles	30.1	28.8	30.1	29.4	28.8
11.0	2.5	4.4	4	Tires & Rubber.............	4.8	4.4	4.4	4.7	4.8
68.6	40.8	48.2	4	Tobacco	55.2	48.2	48.2	51.6	55.2
57.0	17.9	22.7	3	Traction	26.5	22.7	22.7	25.0	26.5
50.9	23.3	34.3	2	Variety Stores	35.1	32.3	34.3	35.1	32.3



(An unweighted index of weekly closing prices; compensated for stock dividends, splitups, and rights; and covering about 90% of the volume of transactions in all Common Stocks listed on the New York Stock Exchange.)

The Magazine of Wall Street's Common Stock Price Index

Seventh Annual Revision

THE MAGAZINE OF WALL STREET'S Common Stock Price Index is designed to record the important movements of industrial group averages. It does not reflect the minor, day-to-day, fluctuations; but only those significant tendencies which are of interest to the investor. It presents a broader and more comprehensive view of the market as a whole than any index which is based upon a small number of active leading stocks, or any index including a larger number of issues which are weighted by the number of shares outstanding, since the latter method of computing an index is tantamount to emphasizing the price movements of a limited group of stocks.

With this issue the Index enters upon its eighth year. In revising the list of stocks to be included in the 1933 Index, an exceptionally large number of issues (66 in all) have had to be dropped from last year's tabulation—due to mergers, or because stricken from the list by the New York Stock Exchange, or through lack of public interest as reflected in the dwindling volume of transactions. New listings were, for obvious reasons, almost negligible last year; so that, with the one active stock newly added to the Index, the total number of component issues now numbers 280, as compared with 345 last year, 405 the year before, 428 in 1930, 379 in 1929, 308 in 1928, 264 in 1927, and 238 when the Index was introduced to our readers in 1926.

Periodic revisions of this magnitude in the number and character of issues included in the list are essential to keep the Index abreast with evolutionary changes in industry as mirrored in the stock market. During a protracted period of rising prosperity, such as was experienced with but slight interruption, between 1926 and 1929, a number of ephemeral producers sprang into the speculative limelight and their stocks, because of their activity, had to be included in the Price Index if it was to remain representative of the market as a whole as it existed at that time. Many of these companies, however, were high cost producers or supplied non-essentials which go begging in times of major business depression; so that their stocks fall into disfavor among traders and investors, and become out of place in a price index designed to present a true cross-section of the general price movement in active stocks. As a matter of fact we find that the major portion of the 66 stocks dropped from our Index this year represent doubtful equities in companies which seem headed for receivership or have already been declared insolvent.

It will be recalled that judgment plays no part in selecting the issues included in our Price Index. The choice is guided by the purely mechanical rule that common stocks in which transactions amounted to 500,000 shares, or more, during the

THE MAGAZINE OF WALL STREET'S

Common Stock Price Index

Secular Progress of Group Indexes

Group	Yearly Closing Indexes (1925 Cl.—100) 1926	1927	1928	1929	1930	1931	1932
COMBINED AVERAGE	95.7	116.3	165.4	109.0	62.2	30.0	27.4
Agricultural Implements	170.6	300.0	513.2	258.0	112.0	34.8	32.3
Amusement	115.2	102.9	252.8	129.6	88.5	21.2	16.9
Automobile Accessories	78.5	91.6	190.2	84.2	47.8	23.9	17.5
Automobiles	76.4	89.8	183.5	54.2	25.5	13.1	10.6
Aviation (1927 Cl.—100)	....	100.0	284.4	86.0	39.9	31.7	56.2
Baking (1926 Cl.—100)	100.0	69.4	82.3	43.4	23.8	9.7	5.6
Biscuit	120.6	187.0	225.2	189.9	185.5	112.5	96.0
Business Machines	108.5	159.1	235.0	219.4	128.6	49.5	45.5
Cans	89.2	119.9	177.7	171.9	157.0	99.3	101.5
x-Carbon & Nat Gas (1930 Cl.—100)	....	....	....	....	100.0	46.4	51.6
Chemicals & Dyes	105.9	161.1	221.9	220.4	126.0	81.6	96.3
x-Cigar Stores	99.6	93.2	67.4	9.4	9.6	6.0	1.5
Coal	....	108.0	120.2	83.8	35.4	21.4	18.9
Construction & Bldg. Material	83.5	99.5	136.9	82.4	48.3	19.5	14.2
Copper	118.7	177.8	299.6	194.5	70.4	30.2	24.0
Dairy Products	80.0	70.4	120.4	86.5	83.0	47.2	32.6
Department Stores	67.0	68.0	86.5	38.0	21.5	10.1	7.9
Drugs & Toilet Articles	152.5	162.0	196.0	128.6	83.0	53.1	53.7
Electric Apparatus	100.2	129.6	183.5	172.9	115.8	46.9	42.2
Fertilizers	56.5	84.0	106.4	40.8	14.8	4.6	4.9
Finance Companies	60.2	72.8	178.5	101.4	77.6	41.7	33.2
Food Brands	81.5	92.1	132.3	81.2	64.4	45.3	39.5
Food Stores	79.1	100.7	244.1	116.2	50.3	45.0	49.6
Furniture & Floor Covering	91.6	127.4	185.0	109.2	31.6	21.8	17.0
Gold Mining	67.2	70.0	315.0	264.6	293.8	423.7	514.0
Household Equipment	103.4	97.0	110.8	57.3	29.9	17.0	12.4
Investment Trusts	75.2	93.2	154.4	125.7	61.0	19.1	22.0
Mail Order	88.0	149.3	418.6	132.6	52.3	26.1	20.0
x-Meat Packing	86.0	77.9	104.4	54.2	30.3	30.1	27.2
Metal Mining & Smelting (Misc.)	102.4	134.7	238.0	132.1	72.7	38.3	30.1
x-Paper & Power	103.0	190.2	132.7	129.0	29.3	6.6	1.6
Petroleum & Natural Gas	95.3	95.6	164.4	106.7	52.4	23.4	33.2
Phonographs & Radio (1927—100)	....	100.0	290.0	129.6	37.2	13.0	9.8
Public Utilities	96.3	129.5	215.5	224.9	150.4	78.1	63.5
Railroad Equipment	101.4	128.9	127.6	99.2	57.8	21.2	17.7
Railroads	98.5	132.0	147.1	129.0	69.8	22.5	18.1
Restaurants	81.4	104.0	131.0	127.2	81.9	41.8	27.0
Shipping	79.6	74.9	77.4	62.2	28.9	8.8	6.7
Soft Drinks (1926 Cl.—100)	100.0	152.9	208.6	198.4	160.4	82.0	60.8
Steel & Iron	79.7	88.7	138.8	117.3	63.5	25.8	23.3
Sugar	112.0	89.5	78.7	39.7	12.9	7.3	7.3
Sulphur	166.1	381.7	286.9	214.0	170.3	89.5	112.1
x-Syrups	117.0	138.4	213.2	188.0	202.8	124.9	150.3
Telephone & Telegraph	104.6	123.8	150.1	168.8	97.4	44.5	35.9
Textiles	92.5	79.0	122.8	49.9	23.7	18.2	30.1
Tires & Rubber	64.4	96.6	104.0	25.6	10.9	4.9	4.4
Tobacco	161.6	190.3	180.9	83.4	59.3	48.3	48.2
Traction	129.5	107.6	126.6	65.2	67.2	26.1	22.7
Variety Stores	74.6	106.8	124.4	88.7	68.5	44.9	34.3

x—Not published regularly.

previous year are automatically added to the list, and dropped after transactions have fallen below 100,000 shares. An experience of seven years in computing the Index has amply confirmed the practical wisdom of this rule; for it has served during the bull market phase to bring into the Index practically all of the stocks which were then commonly regarded as important marketwise, and has led during the past three years to the elimination of a number of marginal producers which have either gone into receivership or whose issues are now selling so close to receivership prices that ordinary horse sense would dictate their removal. Nevertheless, a sufficient number of low priced stocks is still retained in the list to keep the Index highly representative of the market as a whole. Obviously the number of stocks included in the list rises and falls with the total annual volume of transactions on the Exchange; but there is a secular tendency for the number to increase with the passing of time, as is evidenced by the fact that this year's list embraces 42 issues more than were used in computing the 1926 Index, despite the fact that last year's transactions were the lowest since 1924. It is important to note, moreover, that transactions in the issues included in the new 1933 Index still amount to over 90% of the total volume in all listed common stocks.

Computing the Index

In response to many inquiries, we present here a complete list of the issues included in the 1933 Price Index, together with the following explanation of how the Index is computed.

Each group, including the Combined Average, is derived separately, as follows:

First determine the price index of each component issue, by finding the percentage ratio of its closing price for the current week to its closing price for the preceding year. Then find the simple arithmetic average of these indexes. This gives an auxiliary index, called the "Current year index." Finally, multiply this current year index by the group's closing index for the previous year, and divide by 100. The result will be the group's current "Secular index," as published.

The Price Index is compensated, by customary methods, for all stock dividends, splitups, and rights which amount to at least 10%.

The accompanying tabulation of yearly closing indexes demonstrates the universality with which stocks have participated in the great bear market of the past few years. Those who have

(*Please turn to page* 402)

THE MAGAZINE OF WALL STREET'S
Common Stock Price Index
1933 Grouping of the 280 Component Issues

A. Groups Published Regularly

3—AGRICULTURAL IMPLEMENTS
Case
Int. Harvester
Oliver Farm Equip.

6—AMUSEMENT
Fox Film
Loew's
Paramount
Pathe
Radio-Keith
Warner Bros.

14—AUTOMOBILE ACCESSORIES
Bendix
Bohn
Borg
Briggs
Budd Mfg.
Budd Wheel
Cont. Motors
Eaton Mfg.
Elec. Auto-Lite
Haudaille-Hershey "B"
Kelsey-Hayes
Murray
Stewart-Warner
Timken-Detroit

14—AUTOMOBILES
Auburn
Checker
Chrysler
General
Graham-Paige
Hudson
Hupp
Mack
Nash
Packard
Reo
Studebaker
Willys-Overland
Yellow Truck

4—AVIATION
Avation Corp.
Curtiss-Wright
No. Am. Aviation
United Aircraft

3—BAKING
Cont. Baking "B"
Purity
Ward "B"

2—BISCUIT
Loose-Wiles
Nat. Biscuit

5—BUSINESS MACHINES
Burroughs
Int. Bus. Mach.
Net Cash "A"
Rem.-Rand
Underwood

2—CANS
Am. Can
Cont. Can

8—CHEMICALS
Allied
Am. Com. Alc.
Com. Solvents
Davison
Mathieson
Nat. Distillers
Union C. & C.
U. S. Indus. Alc.

2—COAL
Phila. & Rdg. C. & I.
United Elec. Coal

14—CONSTRUCTION & BLDG. MATERIAL
Air Reduction
Am. Mach. & Fndry.
Am. Radiator
Byers
Caterpillar
Elec. Boat
Foster Wheeler
Gen. Asphalt
Int. Cement
Int. Comb. Eng.
Johns-Manville
Otis Elevator
U. S. Pipe & Fdry.
Worthington

8—COPPER
Anaconda
Cal. & Hecla
Cerro de Pasco
Granby
Inspiration
Kennecott
Nevada
Phelps-Dodge

2—DAIRY PRODUCTS
Borden
Nat. Dairy

7—DEPARTMENT STORES
Ass. Dry Goods
Best
City Stores
Hahn
Macy
May
Penney (J. C.)

8—DRUGS & TOILET ARTICLES
Am. Home Prods.
Coty
Drug, Inc.
Gillette
Lambert
Lehn & Fink
Vadsco
Zonite

4—ELECTRIC APPARATUS
Allis-Chalmers
Elec. Stor. Bat.
Gen. Elec.
Westinghouse E. & M.

2—FINANCE COMPANIES
Com. Credit
Com. Inv. Trust

5—FOOD PRODUCTS
Calif. Packing
Gen. Foods
Gold Dust
Loft
Stand. Brands

3—FOOD STORES
First Nat.
Kroger
Safeway

2—FURNITURE & FLOOR COVERING
Congoleum
Simmons

2—GOLD MINING
Alaska Juneau
Dome Mines

4—HOUSEHOLD EQUIPMENT
Diamond Match
Kelvinator
Procter & Gamble
Servel

7—INVESTMENT TRUSTS
Adams Express
Am. International
Gen. Pub. Service
Kreuger & Toll
Lehman
Transamerica
Tri-Continental

2—MAIL ORDER
Montgomery Ward
Sears, Roebuck

7—METAL MINING & SMELTING
Am. Metals
Am. Smelt. & Ref.
Howe Sound
Int. Nickel
Noranda
U. S. Smelt.
Vanadium

24—PETROLEUM & NATURAL GAS
Amerada
Atlantic Ref.
Barnsdall
Cons. Oil
Cont. Oil (Del.)
Houston (new)
Mid-Cont.
Ohio
Phillips
Pierce Pet.
Pure
Richfield
Royal Dutch
Seaboard Oil
Shell Union
Simms
Socony
S. O., Calif.
S. O., N. J.
Superior
Texas Corp.
Tex. Pac. Coal & Oil
Tidewater-Ass.
Union Oil of Calif.

4—PHONOGRAPHS & RADIO
Elec. & Mus. Inst.
Grigsby-Grunow
Radio Corp.
Sparks-Withington

20—PUBLIC UTILITIES
Am. & For. Power
Am. Power & Lt.
Am. W. W. & Elec.
Bklyn. Union Gas
Columbia G. & E.
Com. & Southern
Cons. Gas
Elec. Pr. & Lt.
Int. Hyd. "A"
Louisville G. & E. "A"
Nat. Pr. & Lt.
North American
Pacific G. & E.
Pacific Lighting
Pub. Serv., N. J.
So. Calif. Edison
Standard G. & E.
Stone & Webster
United Gas Imp.
Util. Pr. & Lt. "A"

8—RAILROAD EQUIPMENT
Am. Car & Fndry.
Am. Stl. Fndries.
Am. Loco.
Baldwin Loco.
Gen. A. Tank Car
Gen. Ry. Signal
Pullman
West. Air Brake

29—RAILROADS
Atchison
B. & O.
Canadian Pac.
C. & O.
Chic. Gt. West.
Chic., Mil., St. P. & Pac.
Chic. & N. W.
Chic., R. I. & Pac.
D. & H.
D., L. & W.
Erie
Gt. Nor. Pfd.
Ill. Cent.
Lehigh Valley
M.-K.-T.
Mo. Pac.
N. Y. Central
N. Y., N. H. & H.
N. Y., Ont. & West.
Norfolk & West.
No. Pac.
Pennsylvania
St. L.-San Fran.
Seaboard Air Line
So. Pac.
So. Ry.
Union Pac.
Wabash
Western Md.

2—RESTAURANTS
Shattuck
Waldorf

2—SOFT DRINKS
Canada Dry
Coca-Cola

7—STEEL & IRON
Am. Rolling Mill
Beth. Steel
Ludlum
McKeesport
Otis Steel
Republic
U. S. Steel

3—SUGAR
Am. Sugar Ref.
Great Western
So. Porto Rico

2—SULPHUR
Freeport Texas
Texas Gulf

3—TELEPHONE & TELEGRAPH
Am. Tel. & Tel.
Int. Tel. & Tel.
Western Union

5—TEXTILES
Am. Woolen
Cons. Textile
Gotham
Kayser
Real Silk

4—TIRES & RUBBER
Goodrich
Goodyear
Kelly-Springfield
U. S. Rubber

4—TOBACCO
Am. Tobacco "B"
Lig. & Myers "B"
Lorillard
Reynolds "B"

3—TRACTION
B. M. T.
I. R. T.
Man. Mod. Gtd.

2—VARIETY STORES
Kresge (S. S.)
Woolworth

B. Groups Not Published Regularly

2—CARBON & NATURAL GAS
Columbian Carbon
United Carbon

2—MEAT PACKING
Armour, Ill. "B"
Gobel

2—SYRUPS
Corn Products
Penick & Ford

12—UNCLASSIFIED
Am. Ice
Collins & Aikman
Cont. Insurance
du Pont
Eastman Kodak
Glidden
Liquid Carbonic
Tex. Pac. Land Trust
Timken Roller Bearing
United Cigar Stores
United Fruit
U. S. Realty

PERSONAL SERVICE SECTION

Answers to Inquiries

The Personal Service Department of THE MAGAZINE OF WALL STREET will answer, by mail or telegram, inquiries on any listed securities in which you may be interested, or on the standing and reliability of your broker. This service in conjunction with your subscription should represent thousands of dollars in value to you. It is subject only to the following conditions:

1. Give all necessary facts but be brief.
2. Confine your requests to *three listed securities.*
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HOME INSURANCE CO.

There is so little information published on Home Insurance Co. that I would appreciate any information you can give me as to its outlook. I have a small block purchased somewhat above current levels. With the change in the par value of the stock the dividend has been cut in half and yet I note that there has been a tendency to increase the dividend in certain other insurance companies. Do you think the reduction only temporary? If not, do you advise me to continue holding my stock?—H. D. O., Evansville, Ind.

The revenues of practically all insurance companies have been sharply curtailed by smaller underwriting operations, deflation in the market value of securities contained in their portfolios and reduced income from investments. Home Insurance Co. of New York, one of the stronger units in the fire insurance field, is no exception to the general rule. Absence of the 1932 annual financial statement, which, as this is being written, is not available, renders difficult an accurate appraisal of the capital stock. However, based on the statement of condition rendered at the half-year mark and general conditions existing during the final six months of 1932, prevailing quotations for the shares fairly well reflect earning power of the company at the present time. Net income from investments only for the calendar year 1931 equalled $1.89 a share on the capital stock while net results after all charges amounted to a deficit of $9.26 a share. We do not believe that full 1932 returns will equal those of the previous year, but net income from investments doubtless was sufficient to enable maintenance of the present dividend rate on the new $5 par stock of $1 a share during the early future, at least. By virtue of its position, Home Insurance Co. should participate fully in the next major upswing in business, a factor that will reflect in eventual price appreciation for its shares. Furthermore, the management in the past has been quite liberal in its dividend policies, and stockholders may feel assured that they will participate proportionately as profit improvement evidences itself. While we do not anticipate an early resumption of the former dividend rate of $2 a share, stockholders who are inclined to liquidate their holdings at prevailing prices may find that they have needlessly sacrificed their equity position in one of the "old line" and highly important fire insurance companies of this country. We therefore counsel the exercising of patience on the part of present shareholders, believing that such a policy will prove profitable over a reasonable period of time.

P. LORILLARD CO.

Will you give me your candid opinion of P. Lorillard Co.? I have 100 shares purchased above current levels. This company has done so well during the depression that I have not worried much about it, but now with the cuts in cigarette prices for standard packages and with the menace of the new 10-cent brands I am wondering how this will affect earnings. Do you advise me to sell?—E. M. F., Nashville, Tenn.

As a result of generally unsatisfactory economic conditions, producers of cigarettes and other tobacco products have suffered a substantial shrinkage in sales. P. Lorillard has not been an exception to this condition, and sales of "Old Gold" cigarettes have undoubtedly felt the competition from cheaper brands. However, Old Golds account for only approximately 20% of total net income, the remainder of net being contributed primarily by cigars, Turkish cigarettes, scrap tobacco and smoking tobacco. Competition from the 10-cent brands has made necessary a reduction of wholesale cigarette prices by all of the major companies. Although some further shrinkage in earnings is likely, the experience of the industry as a whole would indicate that the recent reduction in prices will be temporary. Furthermore, it is unlikely that the consuming public will be satisfied with inferior brands of cigarettes, once purchasing power has been restored. Present indications are that earnings for the full year 1932 fell somewhat short of the $2.12 a share on the common stock reported for the year ended December 31, 1931. It is not expected, however, that the

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earnings decline was sufficient to endanger the present annual dividend of $1.20. The fiscal position of the company as of December 31, 1931, was strong; total current assets amounted to $64,113,126, of which cash alone totaled some $14,000,000, while total current liabilities amounted to only $1,745,841. Admittedly the common stock of Lorillard is speculative; but the longer term outlook for the company is sufficiently promising to justify retention of your holdings.

CHASE NATIONAL BANK—GUARANTY TRUST CO.

My broker is advising the purchase of Chase National Bank and Guaranty Trust Co. stock at this time. I already have some Chase. Before talking to him I was debating whether or not to hold on any longer. Do you think any more dividend adjustments are likely with Chase? Both of these companies seem to be so far above their 1932 lows that I would like your opinion before doing anything at this time.—T. K. M., Lansing, Mich.

The year-end reports of New York City banks reveal in no uncertain terms the admirable manner in which they successfully combated the panicky months of early 1932. It cannot be gainsaid that the confidence evidenced by depositors and shareholders alike was justified. By virtue of New York City's importance as a money center, the eyes of the entire world were focused on the more important banking institutions of this city, since two of the world's largest banks and its largest trust company are located therein. As a matter of fact the statements of condition currently being reported by New York City banks bring to light a further general increase in deposits in the final three months of the year, a factor that might well be interpreted as increased confidence on the part of the public. Although the additional funds are being maintained for the most part in cash and U. S. Government securities from which the return is restricted, further improvement in general business activity doubtless would justify the diversion of much of the funds to more remunerative credit channels. The bankers realize the importance of conservatism, and will exercise considerable care in the granting such credit. In selecting the capital stocks of Chase National Bank and Guaranty Trust Co., your broker has chosen equities in the largest banking institution of the world, and the world's largest trust company, respectively. The records of these institutions are highly satisfactory, and their 1932 annual statements reflect the very elements discussed above. The shares of both institutions merit favorable consideration for inclusion in the average business man's portfolio and should prove profitable commitments over the longer term. We observe that you already hold Chase National Bank capital stock and therefore are inclined to suggest that you restrict your purchases to Guaranty Trust Co. capital stock in the interest of diversification.

WARNER-QUINLAN CO.

I would like your advice concerning 250 shares of Warner-Quinlan I bought in 1930 and 1931 from 10 down to 6½. How do you account for this company's losses in the past three years? Do you see any improvement ahead for it? Please let me know if this stock is worth holding any longer.—M. T. M., Flint, Mich.

Including among its activities the production, refining, transportation and marketing of petroleum products, Warner-Quinlan Co. and its subsidiaries, form a complete unit in the petroleum industry. Earnings of the company showed a decided upward trend for several years prior to 1930, but subsequent to that date, have felt the full force of weakness in prices for both crude oil and gasoline. In reflection of this, a deficit of $711,524 was shown for the year ended December 31, 1931, as compared with a loss of $1,655,832 in 1930 and a profit of $1,364,955 or $2.16 a share in 1929. Indications are that the company will report a somewhat larger loss for the full year 1932. This seems not unreasonable since a loss of $1,218,129 was shown for the nine months ended September 30, 1932, as compared with a loss of $120,162, incurred during the similar period of 1931. The latest balance sheet available is that of December 31, 1931, when total current assets stood at $4,535,440 of which cash amounted to $743,032, while total current liabilities were $3,363,681. Obviously, this leaves much to be desired especially in view of the recent further weakness in prices of both crude oil and gasoline. However, when consideration is given to the company's past favorable record of earnings and inasmuch as prevailing quotations for the common stock fully discount near term uncertainties present holdings might be retained as a speculation.

STANDARD OIL CO. (Indiana)

I will appreciate any information you can give me about Standard Oil of Indiana from the standpoint of how its cash resources, scope of operations, and outlook are reflected in the present price of the stock. I will be guided by your opinion on whether I should hold 100 shares which have been bequeathed to me. They were purchased two years ago.—H. F. S. Huntington, W. Va.

Standard Oil Co. of Indiana, as now constituted, represents one of the largest purchasers of crude oil in the United States and may be regarded as among the strongest units in the industry. The company conducts an extensive marketing organization in the Middle-West, in addition to being a dominant factor in the refining end of the business. Early in 1932, the company disposed of its foreign producing and refining interests to Standard Oil of New Jersey for which it received 1,800,000 shares of the latter company and $48,000,000 in cash to be paid over a four-year period. As of December 31, 1931, cash stood at $27,258,889 while marketable securities were carried at $61,904,615. This was after retirement of approximately $10,000,000 in funded debt. During 1932 the company further reduced its fixed interest-bearing obligations by the retirement on August 5, of $10,000,000 principal amount of the Sinclair Crude Oil Purchasing 5½s of 1938. Although a considerable improvement in earnings of most oil companies should be reported for the full year 1932, recent weakness in crude oil prices in the mid-continent indicates that earnings during the initial quarter of 1933 will be unsatisfactory. However, it appears reasonable to assume that some stabilization of the prices will take place in the spring, due to the seasonal effects of increased consumption. In spite of the uncertain outlook for the near term, present commitments in Standard Oil of Indiana common need not be disturbed, since the longer term outlook for the company is basically sound.

NATIONAL DAIRY PRODUCTS CORP.

I have 100 shares of National Dairy Products I bought in 1931 at 42. Although my understanding is that it will earn its dividends this year; in view of the capital obligations ranking ahead of the common stock, do you look for a dividend reduction in the near future? Would you advise me to switch or to hold?—F. K. L., Baltimore, Md.

Earnings of National Dairy Products Corp. were adversely affected by unusually cool weather during the Summer of 1931, and lower prices for its products, together with decreased purchasing power of the general public. This was reflected in the report for the six months ended June 30, 1932, when net earnings amounted to $6,587,999 or $1.05 a share on the common stock as compared with $10,552,826 or $1.68 a share earned in the similar period of 1931. It has been unofficially estimated that earnings for

(*Please turn to page* 401)

New York Stock Exchange

RAILS

	1930 High	1930 Low	1931 High	1931 Low	1932 High	1932 Low	Last Sale 1/11/33	Div'd $ Per Share
A								
Atchison	242½	168	202⅝	79¼	94	17⅞	44¾	..
Do Pfd.	108¾	100	108¼	75	86	35	64¾	5
Atlantic Coast Line	175½	95¼	120	25	44	9¾	23⅛	..
B								
Baltimore & Ohio	122⅜	55⅝	87⅞	14	21⅜	3¾	10⅝	..
Bangor & Aroostook	84½	50⅛	66¾	18	35¾	9½	23⅝	2
Brooklyn-Manhattan Transit	78⅜	55⅛	69⅜	31⅛	50¼	11⅛	26⅜	..
Do Pfd.	93¾	83	94¼	63	78⅜	31½	73¼	6
C								
Canadian Pacific	52¼	35¼	45⅝	10¾	20⅝	7¼	14⅛	..
Chesapeake & Ohio	51⅜	32⅜	46½	23⅝	31½	9¾	27⅝	2½
C. M. & St. Paul & Pacific	26⅜	4¼	8⅞	1½	4½	¾	2⅜	..
Do Pfd.	46¼	7¾	15⅜	2½	8	1⅛	3¼	..
Chicago & Northwestern	89⅞	28½	45½	5	14½	2	5½	..
Chicago, Rock Is. & Pacific	125⅛	45¼	65½	7⅞	16⅜	1½	5⅜	..
D								
Delaware & Hudson	181	130⅛	157¼	64	92½	32	58	6
Delaware, Lack. & Western	153	69½	102	17¾	45⅞	8½	25⅞	..
E								
Erie R. R.	63¾	22⅛	39¾	5	11¾	2	6	..
Do 1st Pfd.	67⅞	27	45½	6⅜	15⅞	2⅝	7¾	..
Do 2nd Pfd.	62½	26	40½	5	10½	2	5¼	..
G								
Great Northern Preferred	102	51	69¾	15⅝	25	5½	10⅝	..
I								
Illinois Central	136¾	65¾	89	9⅛	24⅞	4¾	14	..
Interborough Rapid Transit	39½	20⅜	34	4⅝	14⅝	2¼	4⅜	..
K								
Kansas City Southern	85⅝	34	45	6⅞	15¼	2¼	8¾	..
Do Pfd.	70	53	64	15	25¼	5	15	2
L								
Lehigh Valley	84⅞	40	61	8	29¼	5	14	..
Louisville & Nashville	138⅛	84	111	20¼	38¼	7½	26	..
M								
Mo., Kansas & Texas	66⅝	14⅞	26¾	3⅞	13	1¼	7½	..
Do Pfd.	108⅜	60	85	10½	24	3¼	15	..
Missouri Pacific	98½	20⅜	42¾	6⅝	11	1½	4	..
Do Pfd.	145½	79	107	12	26	2½	6½	..
N								
New York Central	192¾	105⅛	132¼	24⅞	36⅝	8¾	20	..
N. Y., Chic. & St. Louis	144	73	88	2⅛	9¾	1½	3¼	..
N. Y., N. H. & Hartford	128⅛	67⅝	94⅞	17	31⅝	6	16½	..
Norfolk & Western	265	181½	217	105⅝	135	57	124	8
Northern Pacific	97	42⅜	60⅞	14½	25⅜	5½	16⅛	..
P								
Pennsylvania	86⅝	53	64	16¼	23⅜	6½	18	..
Pere Marquette	164⅛	76⅛	85	4	18	1¾	7	..
R								
Reading	141⅛	73	97½	30	52	9½	31¾	1
S								
St. Louis-San Fran.	118⅞	39¾	62¾	3	6⅝	⅝	1⅛	..
Southern Pacific	127	88	109½	26½	37⅝	6½	19⅛	..
Southern Railway	136¾	46½	65⅞	6⅜	18½	2½	6½	..
Do Pfd.	101	76	83	10	23¾	3	8¾	..
U								
Union Pacific	242¾	166⅛	205⅛	70⅛	94½	27⅞	75⅝	6
Do Pfd.	88⅜	82¼	87	51	71⅝	40	65	4
W								
Western Maryland	36	10	19⅝	5	11⅜	1½	6	..
Western Pacific	30½	7½	14⅞	1¾	4¾	½	1¾	..
Do Pfd.	53½	23	31⅝	3	8⅞	¾	3½	..

INDUSTRIALS AND MISCELLANEOUS

	1930 High	1930 Low	1931 High	1931 Low	1932 High	1932 Low	Last Sale 1/11/33	Div'd $ Per Share
A								
Adams Express	37⅜	14¼	23½	3⅛	9½	1⅝	5½	..
Air Reduction, Inc.	156⅜	87½	109¾	47⅝	63½	30⅞	62⅝	3
Allegheny Corp.	35¼	5¾	12¾	1⅛	3⅝	⅜	1½	..
Allied Chemical & Dye	343	170¼	182¾	64	88¼	42½	88	6
Allis Chalmers Mfg.	68	31¼	42¾	10½	15⅜	4	8½	..
Amer. Brake Shoe & Fdy	54⅝	30	38	13½	17⅞	6½	11¾	.60
American Can	156½	104⅝	129¾	58⅛	73⅞	29⅝	61¼	4
Amer. Car & Fdy	82½	24⅛	38¾	4½	17	3⅛	8	..
Amer. & Foreign Power	101⅜	25	51¾	6⅛	15	2	7¾	..
American Ice	41⅞	24⅛	31⅝	10½	21⅝	3⅜	6	..
Amer. International Corp	55⅜	16	26	5	12	2½	8⅛	..
Amer. Mchy. & Fdry	45	29¾	43¾	16	22¼	7½	13	.80
Amer. Power & Light	119⅜	36⅛	64⅞	11⅝	17¼	3	8⅝	..
Amer. Radiator & S. S.	39¾	15	21½	5	12¼	3⅛	7½	..
Amer. Rolling Mill	100⅞	28	37⅜	7⅜	18½	3	9⅝	..
Amer. Smelting & Refining	79½	37½	58½	7½	27¼	5⅛	14	..
Amer. Steel Foundries	52¼	23½	31¼	5	15⅛	3	7½	..
American Stores	55½	36½	48¼	33	36¾	20	33¾	*2½
Amer. Sugar Refining	69⅞	39¼	60	34½	39¼	13	22½	2
Amer. Tel. & Tel.	274¼	170⅜	201¾	112⅛	137⅜	70¼	107⅛	9
Amer. Tobacco Com.	127	98½	128¾	60½	86¾	40½	60½	*6
Amer. Water Works & Elec.	124⅞	47⅝	80¾	23⅛	34½	11	19	1
Anaconda Copper Mining	81½	25	43¼	9¼	19⅜	3	8⅛	..
Assoc. Dry Goods	50½	19	29⅝	5¾	11	3	5	..
Atlantic Refining	51⅜	16⅝	23⅝	8⅝	21⅞	8⅝	16¾	1
Auburn Auto	263¾	60⅜	295½	84½	151¾	28¾	53⅜	4

Price Range of Active Stocks

INDUSTRIALS and MISCELLANEOUS (Continued)

	1930		1931		1932		Last Sale	Div'd $ Per
B	High	Low	High	Low	High	Low	1/11/33	Share
Baldwin Loco. Works	38	19⅜	27⅞	4⅝	12	2	6	..
Barnsdall Corp. Cl. A	34	8⅝	14½	4	7	3⅜	4⅛	..
Beech-Nut Packing	70⅛	46¾	62	37½	45¾	29¼	48	3
Bendix Aviation	57⅜	14¼	25½	12⅝	18¾	4½	11⅛	..
Best & Co.	56¼	30⅜	46¼	19¾	24⅞	5¾	11⅛	..
Bethlehem Steel Corp	110¼	47⅜	70⅜	17¼	29⅝	7¼	16⅜	..
Bohn Aluminum	69	15¾	43	15½	22¼	4⅞	14¾	..
Borden Company	90⅜	60⅛	76½	35¼	43⅛	20	26	2
Borg Warner	50½	15	30¾	9	14¼	3⅜	9⅜	..
Briggs Mfg.	25⅜	12⅛	22¾	7½	11¾	2⅞	5	..
Burroughs Adding Mach	51⅞	18⅜	32¼	10	13¼	6¼	8	.40
Byers & Co. (A. M.)	112⅜	33⅛	69¾	10⅞	24⅝	7	14½	..
C								
California Packing	77½	41¼	53	8	19	4¼	10⅝	..
Calumet & Hecla	33⅜	7¾	11⅜	5	7⅞	1½	2⅝	..
Canada Dry Ginger Ale	75⅜	30½	45	10⅜	15	6	9⅝	1
Case, J. I.	362¾	83½	131½	33¼	65¾	16¾	47¾	..
Caterpillar Tractor	79¾	22	52½	10¼	15	4⅜	8½	.50
Cerro de Pasco Copper	65⅜	21	30⅛	9⅞	15½	3½	8	..
Chesapeake Corp.	82½	32¼	54⅛	13⅞	20¾	4⅞	16⅜	2
Chrysler Corp.	43	14⅛	25¾	11¾	21¾	5	16¼	1
Coca-Cola Co.	191⅜	133¼	170	97½	120	68½	79⅜	7
Colgate-Palmolive-Peet	64⅞	44	50½	24	31½	10¼	12½	1
Colorado Fuel & Iron	77	18¾	32¼	6½	14⅞	2⅞	7⅛	..
Columbian Carbon	199	65⅛	111⅝	32	41⅞	13½	32⅞	2
Colum. Gas & Elec	87	30⅝	45⅝	11⅝	21	4¼	17⅛	1
Commercial Credit	40¾	15½	23¼	8	11	3⅞	5⅞	..
Commercial Solvents	38	14	21½	6⅝	13¼	3½	11⅝	.60
Commonwealth & Southern	20½	7⅛	12	3	5⅛	1⅝	2½	..
Consolidated Gas of N. Y.	136⅞	78¼	109⅝	57¼	68¾	31½	62⅜	4
Continental Baking Cl. A	52½	16¾	30	4½	8	2⅞	4½	..
Continental Can, Inc	71⅝	43½	62¾	30¼	41	17⅝	41½	2
Continental Oil	30½	7¾	12	5	9⅜	3⅝	6	..
Corn Products Refining	111¾	65	86⅝	36¼	55⅜	24¾	55¾	3
Crucible Steel of Amer	93⅝	50⅛	63	20	23¼	6	14⅞	..
Cudahy Packing	48	38⅛	48⅞	29	35½	20	23	2½
Curtiss Wright, Common	14⅞	1¾	5⅞	1	3¼	⅞	2¼	..
D								
Davison Chemical	43⅝	10	23	3½	9¼	1	4¾	..
Diamond Match	24⅞	10	23	10⅝	19⅛	12	19	1
Dominion Stores	30⅝	12	24	11	18½	11¼	15⅝	1.20
Drug, Inc.	87⅜	57⅝	78¾	42¾	57	23	36⅜	4
Du Pont de Nemours	145¼	80½	107	50¾	59¾	22	40⅜	2
E								
Eastman Kodak Co.	255¼	142⅛	185¾	77	87⅞	35¼	59⅜	3
Eaton Mfg.	37¼	11⅝	21⅞	5⅜	9⅞	3	5⅝	..
Electric Auto Lite	114⅞	33	74⅜	20	32¾	8½	20¼	1.20
Elec. Power & Light	108½	34⅜	60¾	9	16	2¾	7½	..
Elec. Storage Battery	79¼	47½	66	23	33¼	12⅝	25½	2
Endicott-Johnson Corp.	59⅝	36⅞	45⅜	23½	37¼	16	31	3
F								
Firestone Tire & Rubber	33⅛	15⅛	21½	12⅞	18⅞	10½	13¾	10
First National Stores	61⅜	33⅝	63	41	54½	35	53¾	2½
Foster Wheeler	104½	37½	64½	8	15⅞	3	10	..
Fox Film Cl. A	57⅜	16⅛	38⅜	2½	5⅞	1	2⅜	..
Freeport-Texas Co.	55½	24½	43¼	13¼	28⅝	10	25¼	2
G								
General Amer. Tank Car	111⅞	53⅛	73⅛	28	35¾	9½	18¾	1
General Asphalt	71⅛	22⅜	47	9⅝	15½	4¾	7⅞	..
General Electric	95⅜	41½	54¾	22⅞	26⅛	8½	16	.40
General Foods	61¼	44⅜	56	28¼	40½	19⅝	26¾	2
General Mills	59⅛	40⅛	50	29⅛	48½	28	40¾	3
General Motors Corp	54¼	31½	48	21⅜	24⅝	7⅝	14½	1
General Railway Signal	106⅞	56	84⅛	21	28⅝	6⅛	16⅞	1
General Refractories	90	39	57⅜	12	15⅜	1¾	6⅛	..
Gillette Safety Razor	106⅛	18	38¾	9¼	24¼	10⅜	19⅜	1
Gold Dust Corp.	47⅞	29	42⅛	14½	20⅝	8¼	16	1.20
Granby Consol. Min., Smelt. & Pr.	59⅞	12	22⅝	5¼	12⅜	2¼	5⅝	..
Goodrich Co. (B. F.)	58½	15¼	20⅞	3⅜	29¾	5½	16⅞	..
Goodyear Tire & Rubber	96⅞	35⅛	52¾	13¾	11⅝	2⅜	4¾	..
Grand Union	20⅝	10	18⅞	7	9¾	3½	6	..
Great Western Sugar	34½	7	11⅞	5¾	12	3¼	7	..
Gulf States Steel	80	15	37½	4	21⅛	2½	12	..
H								
Hershey Chocolate	109	70	103¾	68	83	43½	57¾	5
Houston Oil of Texas (New)	‡116⅞	‡29¼	14	3	5⅜	1⅝	3¼	..
Hudson Motor Car	62⅞	18	26	7¾	11¾	2⅞	5¼	..
Hupp Motor Car	26⅝	7½	13⅛	3¾	5⅜	1½	3⅛	..
I								
Inter. Business Machines	197⅛	131	179¾	92	117	52½	95	6
Inter. Cement	75⅜	49½	62½	16	18¾	3⅝	9	..
Inter. Harvester	115¾	45¼	60½	22⅜	34⅛	10⅜	24¼	1.20
Inter. Nickel	44⅛	12¾	20⅛	7	12½	3½	8⅜	..
Inter. Tel. & Tel	77⅜	17½	38¾	7⅛	15¾	2⅝	8⅛	..
J								
Johns-Manville	148⅜	48¾	80¾	15⅝	33⅜	10	22¾	..
K								
Kelvinator	26⅝	7⅜	15½	6	10⅜	2¾	5⅛	..
Kennecott Copper	62¾	20⅛	31½	9⅝	19¼	4⅞	9¾	..
Kresge (S. S.)	36¾	26⅛	29⅝	15	19	6⅝	10	1
Kreuger & Toll	35⅜	20⅜	27¾	4¼	9⅛	1/32	⅛	..
Kroger Grocery & Baking	48⅛	17⅛	35½	12½	18⅞	10	17¾	1
L								
Lambert Co.	113	70¾	87⅞	40⅛	56¾	25	33¼	4
Lehn & Fink	36	21	34¾	18½	24¼	6	18½	2
Liggett & Myers Tob. B	114⅜	78¼	91¾	40	67¼	34⅛	57½	*5
Liquid Carbonic	81⅞	39	55⅛	13½	22	9	14½	..
Loew's Inc.	95¾	41¾	63½	23⅞	37⅜	13¼	19	3

New York Stock Exchange Price Range of Active Stocks

INDUSTRIALS and MISCELLANEOUS (Continued)

	1930 High	1930 Low	1931 High	1931 Low	1932 High	1932 Low	Last Sale 1/11/33	Div'd $ Per Share
L								
Loose-Wiles Biscuit	70¼	40¼	54⅞	29⅞	36⅝	16⅛	25¾	2
Lorillard	28⅛	8¾	21⅞	10	18⅝	9	12¾	1.20
M								
Mack Truck, Inc.	88½	33⅝	43⅞	12	28¾	10	19¼	1
Macy (R. H.)	159¼	81⅝	106¼	50	60½	17	35	2
Magma Copper	52½	19¼	27¾	7¼	13¾	4½	7⅝	.50
Marine Midland	32½	17¾	24¼	9¼	14⅜	6½	10⅝	.80
Mathieson Alkali	51⅜	30½	31½	12	20⅞	9	16¾	1½
May Dept. Stores	61⅜	27¾	39	15⅝	20	9⅛	13¼	1
McKeesport Tin Plate	89½	61	103½	38½	62¼	28	49½	4
Mont. Ward & Co.	49⅞	15⅛	29¼	6⅝	16⅛	3½	14½	..
N								
Nash Motor Co.	58½	21¼	40⅞	15	19¾	8	14⅛	1
National Biscuit	93	68⅝	83¾	36⅝	46⅞	20¼	40⅝	2.80
National Cash Register A	83½	27⅝	39¾	7⅛	18¾	6¼	8½	..
National Dairy Prod	62	35	50¾	20	31¾	14⅜	17½	2
National Power & Light	58¾	30	44¼	10¼	20⅜	6⅝	14½	1
Nevada Consol. Copper	32⅜	9	14¾	4¾	10¼	2½	5	..
North Amer. Aviation	15⅝	4¼	11	2⅝	6⅝	1¼	6¼	..
North American Co.	132⅞	57¼	90¼	26	43¼	13¾	30⅝	§10%
O								
Ohio Oil	34⅛	16	19½	5⅛	11	5	7	.50
Otis Elevator	80⅜	48¼	58½	16⅛	22½	9	12¼	1
Otis Steel	38⅞	9½	16⅜	3⅛	9¼	1¼	4⅛	..
P								
Pacific Gas & Electric	74⅞	40½	54⅞	29⅝	37	16⅞	31	2
Packard Motor Car	23⅜	7¼	11⅞	3⅞	5¼	1⅛	2¾	..
Paramount Publix	77¼	34⅜	50¼	5⅛	11½	1⅛	2⅜	..
Penney (J. C.)	80	27⅝	44¾	26⅜	34½	13	26¾	1.80
Phelps Dodge Corp.	44⅜	19⅜	25⅝	5⅞	11⅝	3⅞	5¼	..
Phillips Petroleum	44¾	11½	16⅝	4	8⅛	2	6	..
Procter & Gamble	78⅞	52⅝	71¼	36¾	42¾	19⅞	27⅝	2
Public Service of N. J.	123¾	65	96½	49½	60	28	54	3.20
Pullman, Inc.	89⅜	47	58½	15¼	28	10½	22	3
Pure Oil	27¼	7⅝	11⅞	3¼	6½	2⅞	3⅝	..
Purity Bakeries	88⅞	36	55¼	10¾	15⅞	4⅜	9¾	1
R								
Radio Corp. of America	69⅜	11⅜	27½	5⅛	13½	2½	5⅝	..
Radio-Keith-Orpheum	50	14⅜	4	2¾	7¾	1½	3⅛	..
Remington-Rand	46½	14⅛	19¾	1⅞	7½	1	4	..
Republic Steel	79½	10½	25⅝	4⅛	13⅞	1⅞	7	..
Reynolds (R. J.) Tob. Cl. B	58⅝	40	54½	32½	40¼	26½	30	3
Royal Dutch	56⅛	36⅞	42⅝	13	23¾	12⅛	21¼	..
S								
Safeway Stores	122⅝	38¾	69⅛	38⅝	59¼	30⅛	42⅛	3
Sears, Roebuck & Co.	100⅝	43⅛	63¼	30¼	37⅞	9⅞	21½	..
Servel, Inc.	13½	3⅛	11¾	3½	5⅜	1½	2⅛	..
Shell Union Oil	25½	5¼	10¼	2½	8¾	2½	5½	..
Simmons Co.	94⅞	11	23¾	6⅞	13⅜	2¾	7½	..
Skelly Oil Corp.	42	10⅛	12⅞	2	5¾	2⅛	3⅝	..
Socony-Vacuum Corp.	..	..	21	8⅜	12¼	5¼	7⅝	.40
So. Cal. Edison	72	40⅛	54½	28⅜	32¾	15¾	27¼	2
Standard Brands	29¼	14⅛	20½	10½	17⅞	8⅜	15⅛	1
Standard Glass & Elec. Co.	129¼	53⅛	88⅜	25¾	34¼	7⅝	15	1.20
Standard Oil of Calif.	75	42¼	51¾	23⅛	31⅞	15⅛	25	2
Standard Oil of N. J.	84⅞	43⅛	52½	26	37⅜	19⅞	30⅜	*2
Stewart-Warner Speedometer	47	14¾	21⅞	4¾	8½	1⅞	3½	..
Stone & Webster	113⅜	37½	54½	9⅞	17⅜	4⅝	9¾	..
Studebaker Corp.	47¼	18⅛	26	9	13¾	2½	5	..
T								
Texas Corp.	60½	28¼	36¼	9⅞	18¼	9¼	13¾	1
Texas Gulf Sulphur	67⅜	40¼	55¾	19½	26¾	12	23⅞	2
Texas Pac. Land Tr.	32⅜	10	17⅝	4¼	8½	2½	5	..
Tide Water Assoc. Oil	17¾	5⅞	9	2⅛	5⅝	2	3½	..
Timken Roller Bearing	89¼	40½	59	16½	23	7¾	16½	1
U								
Underwood-Elliott-Fisher	138	49	75¾	13⅝	24⅜	7⅜	13½	.50
Union Carbide & Carbon	106⅝	52½	72	27⅛	36⅜	15½	27¾	1.20
Union Oil of Cal.	50	20⅛	26⅝	11	15⅜	8	11¾	1
United Aircraft & Trans.	98	18⅜	38⅞	9⅞	34⅜	6⅛	27¾	..
United Carbon	84	14⅜	28¾	6⅛	18	6⅝	14½	..
United Corp.	52	13⅞	31¼	7½	14	3⅛	9⅝	.40
United Fruit	105	46½	67¾	17½	32⅜	10¼	25⅞	2
United Gas Imp.	49⅜	24¼	37⅛	15⅜	22	9¼	20⅝	1.20
U. S. Industrial Alcohol	139⅞	50½	77⅞	20⅝	36¼	13¼	26¼	..
U. S. Pipe & Fdy.	38¼	18½	37⅛	10	18⅛	7¼	10	2
U. S. Realty	75½	25	36¾	5⅛	11¾	2	5⅛	..
U. S. Rubber	35	11	20⅝	3½	10¼	1¼	5⅛	..
U. S. Smelting, Ref. & Mining	36½	17½	25¾	12⅜	22¾	10	15½	1
U. S. Steel Corp.	198¾	134⅜	152⅝	36	52⅝	21¼	31	..
Util. Power & Lt. A	45¾	19¼	31	7⅞	10⅜	1½	3⅜	..
V								
Vanadium Corp.	143¼	44⅝	76¾	11	23¾	5¼	13⅞	..
W								
Warren Bros.	65⅝	26⅜	46⅝	3¾	8⅜	1¼	4¾	..
Warner Brothers Pictures	80¼	9¾	20⅜	2½	4½	1½	2	..
Western Union Tel.	210¾	122¼	150¾	38½	50	12⅜	29⅝	..
Westinghouse Air Brake	52	31¼	36¼	11	18⅛	9¼	13¾	1
Westinghouse Elec. & Mfg.	201½	88⅛	107⅝	22½	43½	15⅝	30⅝	..
Woolworth Co. (F. W.)	70⅝	51½	72¾	35	45⅝	22	35¾	2.40
Worthington Pump & Mach.	169	47	106⅞	15¼	24	5	15¼	..
Wrigley (W., Jr.)	81	65	80⅝	46	57	25⅛	36¾	3

† Bid Price. § Payable in stock. * Including extras. ‡ Old stock.

Answers to Inquiries

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the full year 1932 approximated $2 a common share, against actual earnings of $3.17 a share for 1931. Thus, it is indicated that present dividends on the common stock are being earned. Furthermore, the company's financial position is such that present disbursements on the common could be maintained for a considerable period, even though not fully covered. It was learned on December 21, 1932, that the company had on hand $25,000,000 in cash and sufficient bonds to meet its sinking fund requirements for the next six months. At the end of 1931, cash stood at $23,446,408 or slightly higher than that at the close of either of the two preceding years. Although National Dairy has outstanding some $75,000,000 principal amount of debenture bonds, it is estimated that coverage of interest charges for 1932 was approximately 4.75 times. While some further contraction in earnings may be witnessed as a result of recent reduction in milk prices, the company is sufficiently strong financially to weather a protracted period of restricted earnings. Consequently, we look upon the common stock of National Dairy Products Corp. as not without long term attraction and counsel against disposal of present holdings.

CHICAGO, ROCK ISLAND & PACIFIC RAILWAY CO.

I note that operating results of "Rock Island" during the fall months of 1932 ran contrary to the general trend of railroad revenues for the period, and made decidedly poor comparison with a year earlier I am greatly concerned since I hold 100 shares of its common stock purchased at 36⅛. What is in prospect for 1933? Should I take my losses and call it "quits"?—F. K. M., Jacksonville, Fla.

One of the financially weak links in the railroad system of this country at the present time is Chicago, Rock Island & Pacific Railway. Although there is considerable diversity of freight, agricultural products are of major importance to the road. As a matter of fact, the sharp falling off of earnings registered during 1932 was largely attributable to shrinkage of purchasing power in the agricultural territory served by the road. Net operating income for the first ten months of 1932 amounted to $3,993,237 compared with $12,905,725 in the corresponding interval of 1931. After allowing for interest charges on the funded debt, a deficit of $7,014,083

MARKET STATISTICS

	N. Y. Times 40 Bonds	Dow, Jones Avgs. 30 Indus.	Dow, Jones Avgs. 20 Rails	N. Y. Times 50 Stocks High	N. Y. Times 50 Stocks Low	Sales
Saturday, December 31	64.84	59.93	25.90	56.17	55.46	539,473
Monday, January 2	HOLIDAY — EXCHANGE CLOSED					
Tuesday, January 3	64.80	59.29	25.59	55.75	54.65	488,910
Wednesday, January 4	65.31	62.35	26.99	57.89	55.26	1,093,383
Thursday, January 5	65.68	62.25	26.95	58.60	57.34	1,144,205
Friday, January 6	66.20	62.96	28.24	59.46	57.73	1,141,910
Saturday, January 7	EXCHANGE CLOSED					
Monday, January 9	66.73	62.31	28.32	59.58	58.10	932,600
Tuesday, January 10	67.28	64.35	29.44	60.50	58.03	1,148,987
Wednesday, January 11	67.86	63.81	29.52	61.50	59.82	1,617,454
Thursday, January 12	67.82	63.09	29.08	60.89	59.39	916,272
Friday, January 13	67.53	63.18	28.86	60.20	58.84	833,925
Saturday, January 14	67.43	63.09	28.47	59.62	58.89	360,910

was incurred in the later period as compared with a loss of $1,274,124 a year earlier. Obviously, the return of more profitable operations hinges largely upon agricultural and industrial recovery. In the interim, the outlook for "Rock Island" is clouded by the maturity of some $128,000,000 principal amount of bonds during the early part of 1934, while the current fiscal position of the road leaves much to be desired. As of October 30, last, total current liabilities exceeded total current assets by $11,266,000, while cash and equivalent aggregated $4,132,985 with loans and bills payable amounting to $14,125,000. Certainly, as the situation now stands, there is little hope for holders of the common stock of this road. However, there have been indications in evidence in the more recent past that the turning point of the current depression has been reached and that gradual improvement of business and industry can be reasonably anticipated during ensuing months. On this basis and since prevailing quotations for the common shares amply discount existing uncertainties, retention of present holdings is a warranted speculation.

UNITED CIGAR STORES CO. OF AMERICA

I note that the receivers for United Cigars Stores are planning a comprehensive survey of the company's properties and prospects. Do you think that this may uncover recuperative powers for the company? Can enough high priced leases be adjusted to make any appreciable savings? Do these new factors warrant averaging for possible speculative profits or would I be better off to sell for what I can get and forget it?—T. L. K., Duluth, Minn.

The predicament in which United Cigar Stores Co. of America finds itself at the present time is the direct result of real estate operations of that company, rather than curtailed chain store business. Naturally, the real estate division of the company during a period of rising values was a bonanza, but conversely, in the current period of deflation, losses incurred by burdensome leases have mounted to such proportions as to make necessary conservation of assets of the company through a receivership. It was recently reported that more favorable arrangements have already been successfully negotiated by the receiver (Irving Trust Co.) with the landlords in the cases of some 500 leases, and it is hoped that additions will be made to the list as the result of negotiations still in progress. It is well nigh impossible to predetermine with any degree of accuracy the ultimate outcome of the present situation, particularly in the absence of financial statistics that might throw light on the current position of the company. However, there is some justification for hope on the part of present holders of the company's stock, in the recent announcement that Julius Klein, Assistant Secretary of Commerce, has been employed to make a special survey of the company and its subsidiaries. It may be several months before Mr. Klein's report is available, but the receiver for the company has indicated that its future policies governing the company will be guided largely upon his findings. In the meantime, the business of the company will be conducted by the receiver in the interest of the creditors. As the situation now stands, little value can be attached to the common stock of the company, but when consideration is given to the fractional quotations for the shares, we are inclined to counsel further retention of present holdings, purely as a gamble.

CHICAGO & NORTH WESTERN RAILWAY CO.

My broker has advised me to take my loss on 150 shares of C. & N. W. bought in 1928, saying that many railroads are headed towards reorganization. He advised me to put the proceeds into a dividend-paying industrial. I hesitate to follow his suggestion, however, since so little can be obtained for my holdings, at current prices. Is there not a possibility of recovering my loss over a period of years or would you advise me to sell now?—E. T. L., St. Louis, Mo.

Admittedly, the outlook for Chicago & North Western Railway Co., at this writing, is anything but promising. The apathetic condition of the steel industry, coupled with the negligible buying power of the farmers, as well as increasingly keen competition from motor trucks doubtless will continue to restrict earnings of the road during early ensuing months, at least. In the interim, Chicago & North Western is faced with the maturities of $6,555,000 5% debentures on May 1, next, as well as $7,724,000 principal amount of Fremont-Elkhorn & Missouri Valley consolidated 6s, due October 1, 1933. When consideration is given to the restricted earnings outlook for the road and its weak financial condition, attendant with heavy borrowings from the Reconstruction Finance Corporation, apprehension as to the ability of the road to forestall a reorganization would appear to be justified. In the more recent past, however, there has been a greater tendency toward cooperation among railroad security holders in order to avoid the heavy cost of receivership. With this thought in mind, it is quite possible that the management of Chicago & North Western may advance a capital readjustment plan satisfactory to holders of its various bonds, and by which is stockholders might reasonably expect to participate in the eventual recovery of earning power. It is yet too early to anticipate with any degree of accuracy the exact form in which the plan will be presented by the management, but there would appear to be some justification for hope for the common stock by such a procedure. Current prices for Chicago & North Western common fairly well discount the uncertainties confronting the road, and inasmuch as little can be salvaged from your original investment in the stock, we are inclined to endorse continued retention of the shares on an extreme long term speculative basis.

Profit Prospects in Cans

(*Continued from page* 389)

ent rate being $4 or approximately equal to estimated 1932 profits. It is possible that the recent reduction in tinplate prices may further cut into profits, but this risk would appear reasonably well discounted by current quotations. McKeesport has no financial problem, current assets, including nearly $2,000,000 cash, being $4,361,000 and current liabilities $688,000.

American Can has recently commanded a price of around 58; Continental Can, 40; and McKeesport Tin Plate, 46. While these quotations can not be considered excessive, there is little in the outlook to call for dynamic advance in the immediate future. Investment accumulation, therefore, should await such opportunities as periods of market reaction provide.

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followed the index closely will have observed considerable difference, however, in both the time and the extent in which various industrial groups were affected. In the recovering phase of the market cycle, now in progress, similar tendencies are observable as some industries respond to quickening influences sooner than others. Last year, for example, though the Combined Average receded somewhat further, no less than 13, or 25%, of the 49 groups closed higher than they started. Further analysis of these tendencies and their causation should prove helpful to intelligent semi-long-pull investment in common stocks during the months to come.

Penick & Ford, Ltd.

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toward stockholders. An extra dividend of $1 a share was declared and paid last December. In view of the many possibilities for expansion in the corn refining industry and the relatively good showing made by Penick & Ford during a difficult period, it would seem that the stock were one which the prospective investor might well find interesting.

Columbia Gas & Electric Corp.

Position of industry: Relatively stable.

Recent price $17. Dividend, $1, payable in 5% convertible preferred stock.

THIS utility system serves the highly industrialized sections of Pennsylvania, Ohio, West Virginia and New York. Its chief product is natural gas, electric power output constituting only some 30% of total revenues. Importantly dependent upon industrial demand, especially for natural gas, net revenues have shown substantial decline during the last three years of depression.

Because of large expansion, the advent of depression found the company forced to make substantial bank loans. To reduce this floating indebtedness and to maintain current financial strength, the former dividend of $2 on the common shares has been both successively reduced to $1 and made payable in a special issue of 5% convertible preferred shares. The capitalization, however, is sound, the company continuing to earn both fixed charges and preferred stock dividends by a relatively generous margin.

In view of the margin by which prior charges are earned, there can be little doubt regarding the survival of this enterprise. Moreover, it can be taken for granted that its revenues will benefit promptly and substantially in any future industrial improvement, even though they have declined from a high of $32,161,000 in 1929 to $26,498,000 in 1930 and to $22,331,000 in 1931. For the first nine months of 1932 net was $12,019,000, against $16,339,000 in the corresponding period of the previous year.

For the longer future the common stock appears a promising speculation, not only because of the relative soundness of the company's present position but because of the prospect that ultimately important sales of natural gas will be extended to leading Atlantic Seaboard cities, including New York, for mixture with artificial gas.

New York, Ontario & Western Railway Co.

Position of industry: Depressed, but this road's situation improved.

Recent price $9.

THE name of this railroad is somewhat pretentious, since it operates, with branches, 569 miles of road from Oswego to Cornwall, N. Y., reaching Weehawken, N. J., through trackage rights over the West Shore Railroad. In one respect, however, its position is unique. In the generally prosperous years 1928 and 1929 it operated at a deficit, while under the acutely depressed conditions of 1931 and 1932 it covered fixed charges and earned modest profits for the common stock.

Through ownership of a majority of the common stock, the road is controlled by New Haven and is ultimately destined to be merged with that system under the contemplated plan of eastern railway consolidation. A single product, anthracite coal, accounts for approximately 75% of the road's traffic.

For this reason the status of the system is somewhat speculative, being subject to any fluctuations in the flow of anthracite. It has in the past suffered at times also from strikes in the anthracite fields which it serves. Despite these factors gross operating revenues over the last ten years have shown a remarkable stability, ranging from a high of $13,974,000 in 1926 to a low of $10,417,000 in 1930.

The common shares of this road possess a measure of speculative attraction for two reasons. Capitalization is relatively conservative, consisting simply of $29,000,000 in funded debt—with no early maturities—and $58,000,000 in common stock of $100 par value. Interest charges on funded debt were covered 1.43 times in 1931 and this margin was slightly increased in 1932. The second favorable factor is that the road's ratio of operating expenses has shown a persistent, although irregular, decline for more than a decade, having come down from 89% in 1922 to a little less than 73% in 1931. Earnings for the first eleven months of 1932 were $1.17 per share of common.

Armour & Co. (Illinois)

Position of industry: Severely depressed. Real recovery probably dependent upon an increase in meat prices.

Recent Price "A"	Dividend	Yield
$1.75	—	—

THE greatest single adverse factor with which the packing industry has had to contend during the present depression has been declining prices. Meat packing at its best has a margin of profit which is almost ridiculously small. At its worst, the industry's losses run to staggering sums. Further complicating the situation, particularly in the case of Armour & Co., there is an inflated capital structure, legacy of the World War price heights.

For the year ended October 29, 1932, Armour & Co. (Illinois) showed a net loss of $3,857,565, after taxes, depreciation and interest, compared with a net loss of more than $17,000,000 in the previous year. The loss in the later period, however, was more than offset by a profit of $5,520,104 arising from the purchase and retirement of the company's bonds. This was perhaps the feature of the report and the company's funded debt now has been reduced a third from the peak of ten years ago. The usual strong financial position was reported, current assets, including more than $36,000,000 in cash, amounted to $118,196,445, while current liabilities were $11,427,365 a more than ordinarily good ratio.

Yet, despite the favorable consideration which must be given to a strong financial position and to the fact that the company has put into effect many drastic economies of a permanent nature, there still remains much to be done. Recovery in any event is likely to be slow and is dependent, for the greater part, on price stability, if not price recovery. Moreover, the company is being hampered by the restriction imposed abroad on the importation of foreign products and the demoralization of foreign exchange markets. Individuals, however, who are desirous of entering the speculative situation presented by the Armour companies probably will find the preferred stock of the Delaware company (guaranteed by the Illinois company) or even to the preferred stock of the Illinois company itself, preferable to more junior issues.

Ruin by Efficiency?

(Continued from page 377)

labor costs and get better machines. He borrows to buy the machines, and by their substitution narrows the markets because the machines throw men out of work. Machines don't buy. So he borrows some more money for more and better machines, fires more men and cuts costs—and then around the circle again. Debt means interest—and so interest piles up. So America—the world—is loaded with an increasing debt.

But this debt is in the hands of a limited number of people, who as a whole can't possibly consume the income from it. So back it goes into more and still better machines, and the production of more goods for masses of people who are already getting so little out of the flow of wealth that they can't possibly buy the new flood of goods. The conjunction of the omnipotent machine and a profit economy destroys paying power and simultaneously increases debt. Well, what's going to take the place of money? Why the erg, or the kilowatt or the horsepower. Energy is the measure of production and the basis of exchange. Somebody—who, will be figured out later—will give you erg certificates for your share in production or non-production, say, of hogs; with those certificates you get a piano or an automobile, erg for erg. Whether the ergs will be divided up evenly per capita hasn't yet been determined. Technocracy, in fact, is shot through with indeterminates. Nobody ventures to say how it is to grasp the reins of power or guide them. Wait until next spring. The impending is always more fascinating than known.

Profit will be exiled to the nether regions, debt forgotten, standards of value, money, credit and all that outworn stuff of an outgrown civilization cast into the rubbish heap. When Technocracy comes into its own there will be work—a little work, and plenty of goods for all, they say. A few hours a week will be the equivalent of $20,000 a year for every man, woman and child. Demand and supply, overproduction and under consumption will be meaningless words.

After the Technocrats have sketched somewhat blurredly what 3,000 charts are going to prove next spring, they give you some real substantial mental pabulum. They bombard you with a few of the facts or alleged facts that they are tossing into the chart factory at Columbia, such as:

A single modern turbine has 9,000,000 times the power output of the human body. Four such prime movers have as much energy as all the manual workers of the United States. One of them has six times the energy of all Egypt in the time of the Pharaohs. Yet just about up to the end of the Eighteenth Century all the work of the world was done by human energy plus a little animal, wind and waterpower.

Now this is nothing but old stuff—our old friend technological unemployment, which has been discussed for more than a hundred years—even longer. In the year 1661 a loom was set up at Danzig which could weave four or six webs at a time without human aid, and be worked night or day. In the interests of job conservation the inventor was secretly executed by the alarmed authorities. The guilds kept waterpower mills out of England for 200 years after they were introduced on the continent. The first steam sawmill in the United States, at New Orleans, was burned by some technologically jobless person in 1811. Weavers rioted all over the world as power looms and spinning machines came in—capacity 2,000 and 45,000 times, respectively, that of the handworkers. In the 1830's technological improvement almost caused a revolution in England; 3,000,000 people petitioned for an equalitarian reconstruction, but presently adjustments were made, and everybody went back to work. In 1870 mobs of displaced

American farmhands were burning the new self-binding harvesters.

It has been pointed out that the Technocrats are very generous with their figures. A few millions or billions more or less between earnest Technocrats are nothing. Some of the production figures given above are false, misinterpreted, particular instead of general, or distorted. On examination, a statement that the per capita output of electric light bulbs has multiplied 9,000 times in a brief period boils down to four real times, which is quite enough, at that.

Allow for that and allow for the fact that Leader Scott appears to have a life history that is as variable as his figures; allow for the fact that he has around him a fanatic fringe which always believes in Mississippi bubbles, Florida booms, Cardiff giants, Dr. Cooks, lost czaravitches, strayed dauphins, fiat money, "new eras" and every new panacea for all the ills of the world; and still one must take Technocracy seriously.

These Technocrats are thinking, unhampered by tradition, even if crazily, about the problems of industrial technology. If they are on the right track to the solution of the problem of what to do about a world that is rich beyond computation and yet can't feed or clothe its people, more power to them! What if our present science of economics is nothing but a superstition—who cares? Let us accept all the truth the Technocrats can give us. We need a lot of it.

Besides, the Technocrats have made economics fascinating—rivaling scandal. One recalls how the physiocrats fascinated the belles of the court of Louis XV, as he hears shop-girls chattering Technocracy.

In the meantime let us keep our heads and hold onto a few old facts. Notwithstanding those ominous curves and graphs that lead to universal ruin in the near future—if—let us remember that in normal times old jobs go but new ones come. Technological destruction of old jobs was in full force between 1919 and 1927 but the total number of jobs remained about even. The manufacturing census of 1927 found a million less workers than in 1919, and the Department of Commerce found that between 1920 and 1927 eight industries cut down their working forces 1,823,000, of which 800,000 were due to agricultural mechanization. But in that period the automobile brought in its train, 1,166,000 new jobs. Motion pictures added 150,000 jobs, and personal service 694,000.

As for debts, something happens to them, always happens to them. Read the history of the Rothschilds. What became of the debts that made them promise to own the world?

It is hardly to be denied that technical advance has now reached the point where there is no possibility of employment keeping up with it under present distribution of product. It does not follow that general social reorganization is necessary in order to tame the machine, or that any glossy, new Technocratic scheme, on the lines of pure communism in a new vocabulary, could do the job. But meet the riddle of the machine we must.

As I See It

(*Continued from page* 369)

our spirit of adventure and our love of conquest.

The multiplicity of the shocks we have received simultaneously will make recovery from the present reverse a little longer than we had thought. But once we are on the way, life will have a new zest and a fascinating diversity. I, for one, feel that we have before us an era that will be better in every respect, moral and social, as well as business, than that false and gilded "new era" that hypnotized and befooled us. I refuse to believe that we are doomed to fail in all because we have succeeded in much.

Three Leaders in Communication

(*Continued from page* 385)

ness is economically mature. There will, of course, be technical improvements. The teletypewriter business undoubtedly has further to go. The same may be said of the transmission of photographs and documents in facsimile. But broadly speaking the telegraph business can look forward to no dynamic expansion, a conclusion borne out by the fact that for several years prior to the advent of the present depression, gross revenues have not kept pace with increased plant expenditures.

To a certain extent this also applies to the American Telephone & Telegraph Co. But here, although the company has probably seen its period of greatest expansion, there is still room for more, even though it be slower and more irregular in the future. Also, it must be remembered that this company is a direct competitor of the telegraph companies in the two fields—teletypewriter and facsimile transmission—which offer the latter the greatest hope for growth.

From a purely speculative standpoint, the International Telephone & Telegraph Corp. is by far the most attractive of the three companies. Abroad, communications in general are a long way from the high standard maintained in this country. There is immense room for expansion in all divisions. Yet the risks of this particular speculation not turning out successfully are very great. For it to be successful, there will have so be a complete about-face in present world policies. Nationalism will have to give way to Internationalism. Foreign trade must be revived by tariff reductions, currencies must be stabilized, and the heavy hand of government regulation removed from exchange. Social discontent in the form of wars, revolutions, military penetrations and the desire to make unwarranted seizures of a foreigner's property must give way to peace and an understanding of the rights of others. This is a big order—perhaps too big.

So far, no consideration has been taken of the prices currently prevailing for the stocks of the companies under discussion. Yet price is an important factor for one who wishes to carry broad decisions to their ultimate conclusion. In the case of the communications, it must be frankly admitted that the common stock of no company is statistically cheap. American Telephone it has been seen actually earned around $6 a share last year. Western Union will report a considerable deficit for the same period. Both are surely discounting no little improvement at $108 and $30 a share respectively. On the other hand, the common stock of the International Telephone & Telegraph Co. does not lend itself to statistical appraisal under present conditions. It is currently quoted at $7 a share. If the necessary changes in fundamental conditions are made, it will prove to have been extraordinarily cheap at this price. If the changes are not made, it would almost certainly turn out a bad bargain at a fraction of the current level.

Intimate Letters of a Washington Journalist and His New York Broker

(*Continued from page* 379)

in Germany; and above all I see in the making an international agreement to stabilize the exchanges, and prevent further decline in the commodity price level. Just how that is to be brought about is a long story, and I'm going to save it for a subsequent letter. I feel as if I had been lecturing at the New School, but my haid is not long enough to be an intellectual. Don't buy me a

violin. I'm going to get a hair-cut now!

Yours for higher prices,

PERRY.

P. S. Some one told me last night that when Hoover was trying to pull those long eared animals out of a hat, they weren't rabbits . . . they were jackasses. Hoping you're the same.

Studies in Stock Speculation

(Continued from page 387)

foolishly. In other words, you want a watch-dog at the Treasury.

As the success of the operation depends upon a sufficient number of price fluctuations, only such issues should be considered as have been prominent market performers in the past and appear likely to continue to hold speculative interest in the future. Among stocks which meet these requirements at the present time can be mentioned: General Electric, Montgomery Ward, General Motors and Consolidated Oil.

In conducting scale operations, there are two methods that can be pursued; one is to use an automatic scale and the other is to bring into the operation some measure of judgment as regards market movements. For example if a substantial upward movement in the general market is indicated, scale selling orders can be temporarily withdrawn and all stock held until the upward trend shows evidence of having spent its force. This latter method of course requires expert judgment and should not be attempted by those who are not in a position to watch the market constantly or who lack experience, particularly as good results may be obtained by using an automatic scale which, of course, requires no judgment.

The accompanying tables show what results could have been obtained by using in Table I, an automatic scale of two points with General Electric; in Table II an automatic scale of $1\frac{1}{2}$ points with Montgomery Ward, and in Table III an automatic scale of one point with Consolidated Oil. The period of time covered by these operations was selected in order to have them start at prices close to current prices which was the level prevailing in the spring of 1932.

The mechanics of such an operation are extremely simple. Take the case of General Electric for example, 500 shares were purchased on May 11 at 15. Just as soon as this purchase was made "good until cancelled" orders were placed to sell 100 shares at 17, 19, 21, 23 and 25 and "good until can-

New York Curb Exchange

Quotations as of Recent Date

Name and Dividend	1932 Price Range High	Low	Recent Price
Alum. Co. of Amer.	90	22	52
Alum. Co. of Amer. Pfd. (3)	67¾	33½	43
Amer. Cit. P. & L. B.	8½	⅝	4⅞
Amer. Cyanamid B.	8½	1⅝	4⅞
Amer. Founders	2⅞	¼	1
Amer. Gas & Elec. (1)	41⅞	14½	31¾
Amer. Lt. & Tr. (2)	24¾	10	18⅛
Amer. Superpower	10⅛	1⅛	5⅛
Assoc. Gas Elec. "A"	5⅛	⅝	2¼
Brazil T. L. & P.	13⅜	7	8⅝
Buffalo, N. & E. P. Pfd. (1.60)	23¼	15¾	22⅛
Cities Service	6⅞	1¼	3⅛
Cities Service Pfd.	53⅜	10	16½
Cit. Sv. P. & L. $6 Pfd.	50	11	16
Commonwealth Edison (5)	122	49½	81½
Consol. Gas Balt. (3.60)	69¾	37¼	65
Cord Corp.	8⅞	2	6⅝
Deere & Co.	18⅝	3½	11
Duke Power (5)	73½	31	58
Elec. Bond & Share (6% stk.)	48	5	20⅝
Elec. Bond & Share Pfd. (6)	67	19	42¼
Elec. Pr. Assoc. A (.40)	9¼	2½	3⅞
Ford Motor, Can. A	15	5	7
Ford Motor, Ltd.	6⅛	2½	3½
General Aviation	5¼	1⅝	3⅞
Goldman Sachs T.	5	1	3⅜
Gt. A. & P. Tea N. V. (7)	168	103¼	157
Gulf Oil of Pa.	44¾	23	28⅜
Hudson Bay M. & S.	5	¾	3⅛
Hygrade Food Prod.	4½	1¾	3½
Inter. Petrol. (1)	12¼	8	10⅝
Nat. Bellas Hess	2⅜	1	1⅛
Nat. P. & L. Pfd. (6)	80½	35	68
Newmont Mining	28⅞	4⅝	17
N. Y. P. & L. Pfd. (7)	100	66	96
Niagara Hudson Pwr. (1.20)	20	7⅞	16
Penroad Corp.	4⅜	1	1⅝
St. Regis Paper	8⅜	1⅛	3½
Salt Creek Prod. (1)	5½	2⅞	4
Singer Mfg. (8)	138	75	97
Sou. Cal. Edison Pfd. B (1½)	25	17¾	24½
Standard Oil of Ind. (1)	25⅛	13⅛	21¾
Standard Oil of Ky. (1.20)	15⅞	8⅞	11¼
Swift & Co.	18⅞	6⅝	8⅝
Swift Int'l (2)	26	10	17⅛
United Founders	3⅛	5/16	1⅜
United Gas Corp.	4¾	⅝	2⅛
United Lt. & Pow. A	9¼	1¾	4

celled" orders were placed to buy 100 shares at 13, 11, 9, 7, 5, 3, and 1. On May 14, when 100 shares were purchased at 13, an order was immediately placed "good until cancelled" to sell 100 at 15. On May 27, when 100 were purchased at 11, a "good until cancelled" order was entered to sell 100 at 13, and the same procedure was followed throughout the operation, or until the upper limit of the price range was passed.

With $111,000,000 cash and equivalent, funded debt of only $2,000,000, management second to none in ability and a wide diversity of products, serious difficulty for General Electric certainly does not appear in the cards for years to come. Whether the company ultimately regains its old high profit position is of no great consequence to the scale trader, his main interest being in the fluctuations that occur in the price range selected. In the example given, this price range covers the area from 1 to 25. If the stock should break through the higher limit, the operation can be considered completed and a very satisfactory return will have been shown on the capital. While the stock remains under 25, all fluctuations covering the scale determined upon are taken advantage of and the operation can be continued just as long as the upper limit is not violated. In arriving at the annual rate of return of 30.7% on the capital it will be noted that interest at the rate of 4% is allowed on capital unemployed in the operation. Such a return can be obtained by investing this unemployed capital in high grade short term notes.

While not having the background of years of industrial leadership that belongs to General Electric, Montgomery Ward and Consolidated Oil meet the requirements of unquestioned financial strength, good management and speculative interest, and both are well adapted for scale operations at current price levels. It will be noted in the three accompanying tables that the lower the price the less capital is required to conduct the operation, also that the annual rate of return on the capital involved has not varied greatly, being close to 29% on the average. The period covered in these three tables includes several months when the market was very quiet and fluctuations narrow. A period of continued activity in the market covering several months could be expected to show better results.

While the scale trading method of operation can be followed in odd lots, on a 100-share basis there is a distinct advantage over the odd lot, for the extra eighth in buying and selling becomes an important factor. Syndicates are sometimes formed involving several individuals in order to assemble enough capital to conduct scale trading operations such as this on a 100-share basis. When this is done a syndicate agreement should be drawn up which definitely outlines exactly what the procedure is to be.

The writer will be pleased to answer any questions in regard to scale trading that do not involve special research work on his part.

Solving the Tax Problem—An Essential to Early Recovery

(Continued from page 374)

and accumulating wealth. At the same time it must not be so heavy as to discourage initative and enterprise, for it is the improvement of the individual position that will ultimately bring us out of this depression if nothing else does.

It will but promote general ruin to impose ruinous taxation on those who have hitherto escaped ruin. There is a great psychological difference for this economic backbone of the nation between paying the same amount as a sales tax and meeting it in a lump plainly labeled taxes.

General Manufacturers' Sales Tax Preferable

We have gone far enough in the way of income taxation already. Additional Federal taxation should take the form of a general manufacturers' sales tax.

If we must have additional taxation for Federal purposes that is the practical and least injurious way to get it. This article is not devoted to the expenditure side of the Federal fiscal problem, but it is well to reiterate the position this Magazine has previously taken that the budget should be balanced by economy, not by more taxation. It is quite possible to balance the budget by doing that. Tax payers have a right to insist upon it.

If after all, there is still a deficit to be made up by taxation of 400 or 500 million dollars, taking into consideration that the real deficit is not the 492 million dollars that are being called the deficit but nearer to a billion. These are the broad lines on which it should be met: Gasoline tax, 137 millions, beer tax, 125 millions, general manufacturers' sales tax of 2¼ per cent, 355 millions with repeal of all special sales taxes, leaving a net sales tax return of 139 millions, and a grand total of 411 million dollars.

The country can stand such a tax with a minimum of destructive incidence. And it may not be for long. An easier way may be found in the course of the next 18 months. The impending repeal of the prohibition amendment to the Constitution may give us a single unobjectionable manufacturers' sales tax—on alcoholic beverages—that will be sufficient to wipe out deficits, reduce income taxes and do away with all sales taxes as conceived in the 1932 act, and the petty "nuisance" taxes as well.

An Investment Portfolio for 1933

(Continued from page 380)

of a fairly reliable earning power from his occupation can afford to be less rigidly conservative in his investments than individuals who are solely dependent upon their capital and the income to be derived from it.

For this reason, the three plans of investment here presented are designed to leave some leeway for individual discretion. The first calls for placement of 50 per cent of one's funds in gilt-edged long-term bonds, 25 per cent in gilt-edged short term bonds, 15 per cent in sound preferred stocks and 10 per cent in common stocks. The second places 40 per cent in long-term bonds, 25 per cent in short-term bonds, 20 per cent in preferred stocks and 15 per cent in common stocks. The third, eminently suited to the "business man investor," calls for 30 per cent in long-term bonds, 25 per cent in short-term bonds, 20 per cent in preferred stocks and 25 per cent in common stocks.

In carrying out a policy of diversification, not more than 10 per cent of the entire portfolio should be invested in any single security and the ratio should preferably be less.

What Will You Use for Money?

(Continued from page 375)

so long as there is money of some kind. Even extremely primitive peoples have discovered that money is essential to facilitate their system of barter. We are re-discovering the same thing.

Suppose that a farming member of the National Development Association in Utah should be stricken with a severe toothache in the middle of winter. Because he has at that particular time no wanted produce to exchange, is he automatically prevented from obtaining very necessary treatment? Not at all. He pays in scrip and when this in turn is backed by the association and reissued it is acceptable to more than 150 local business houses in payment of goods and services. The business houses in their turn tender it to the association also in payment of goods and services and finally, when the original farmer gives or does what he promised to give or do, the cycle is complete. All kinds of wants have been satisfied without one single, honest-to-goodness dollar changing hands.

Some time ago the only bank in Tenino, Washington, blew up. Trade was paralyzed. The grocer could not get enough gasoline to run his car and the owner of the gasoline station was starving to death for want of groceries. So Tenino's up-and-coming Chamber of Commerce decided that something would have to be done. Action took the form of printing wooden money. The depositors of the defunct bank assigned 25 per cent of their balances in exchange for the new money. In this way frozen assets were thawed and business went on almost normally. Locally, the wooden money was just as acceptable as dollar bills had ever been. Incidentally, so successful was their first effort that the citizens of Tenino have had another idea. They made a deal with the State Supervisor of Banking to buy the building and equipment of the failed bank for $3,500, and obtained this sum by the sale of wooden scrip, principally to collectors!

But if other currencies are growing up domestically alongside that to which we have been accustomed, it is also true that serious efforts are being made to replace gold, temporarily at least, as an international medium of exchange—and for similar reasons. Gold is no longer performing its historic function as an exchange medium. It is being hoarded, restricted, embargoed and worshipped as an end unto itself. Gold is not wealth: it is only the means of obtaining wealth by exchange, and it is this function that is being lost. It is interesting to speculate upon what we would do if our foreign debtors were to say to us:—"You are insisting upon being paid in gold, so we shall send to you all the gold on which we can lay our hands. *But we shall take none of it back.*"

This is less far-fetched than it seems, perhaps. There is much influential opinion abroad, which advocates the final and complete abandonment of a gold standard. The current issue of the Midland Bank's monthly review suggests a moratorium on gold shipments and makes the following statements: "The world is steadily moving toward a point where shipowners, especially in the transatlantic routes, will be almost as much occupied in carrying gold backward and forward to no useful purpose, as in moving goods from producer to consumer. . . . no longer does it (gold) operate to correct the disparities between price levels and interest rates in the different countries. No longer does it govern the general trend of commodity prices, for gold has continued to appreciate in terms of goods notwithstanding large additions to stocks in gold standard countries and reduced demand following the abandonment of the gold standard in a large part of the world." The

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John Muir & Co., members New York Stock Exchange, are distributing their booklet to investors. (225).

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An interesting booklet issued upon request by the Bell Telephone Securities Co. (875).

"A CHAIN OF SERVICE"
Describes and illustrates the history and development of the Associated Gas & Electric System. (884).

GUARANTY TRUST CO.
Comprehensive details of this company's resources mailed upon request. (924).

"HOW TO PROTECT YOUR CAPITAL AND ACCELERATE ITS GROWTH—THROUGH TRADING"
Is the title of an interesting article by E. B. Harmon of A. W. Wetsel Advisory Service, sent to investors on request. (936).

MARGIN REQUIREMENTS, COMMISSION CHARGES
Springs & Co. have prepared a folder explaining margin requirements, commission charges and trading units. Copies gladly sent to investors and traders. (939).

AN OASIS IN THE DESERT
is the title of a descriptive booklet just issued by the Credit Service Associates, copy of which will be mailed upon request. (985).

ANNUAL SUMMARY
As in the past nine years, Newburger, Loeb & Co. is distributing its annual summary of the outlook for the coming year as viewed by some of the better known forecasting services.

Opinions have been submitted by such agencies as the American Institute of Finance, Brookmires, Moody's, Standard Statistics, and prominent executives and economists. Subjects treated include the probable course of general business; commodity, stock, and bond prices; money rates; the outlook for railroads; and the foreign situation.

"ANNUAL REPORT"
Descriptive and statistical information regarding the Associated Gas & Electric Co. sent upon request. (945).

SECURITY SALESMANSHIP—THE PROFESSION
This booklet, published by Babson Institute, contains a discussion of the specialized field, together with information about the course of training being adopted by investment houses for their salesmen. (905).

ELECTRIC BOND & SHARE CO.
Full information or reports on companies identified with Electric Bond & Share Co. furnished upon request. (898).

Bank, Insurance and Investment Trust Stocks

Quotations as of Recent Date

BANK AND TRUST COMPANIES

	Bid	Asked
Bank of N. Y. & Trust Co. (14)	341	361
Bankers (3)	75	77
Brooklyn (10)	180	195
Central Hanover (7)	150	154
Chase (2)	35⅝	37⅝
Chemical (1.80)	40⅝	42⅝
City (2)	45¼	47¼
Corn Exchange (4)	73½	76½
Empire (1.60)	24¼	28¼
First National (100)	1550	1600
Guaranty (20)	344	349
Irving Trust (1.60)	24¼	26¼
Manhattan Co. (2)	31¼	33¼
Manufacturers (2)	30⅝	32⅝
New York (5)	100¾	102¾
Public (2)	28¾	30¾
United States Trust (70)	1585	1685

INSURANCE COMPANIES

	Bid	Asked
Aetna Fire (2)	30⅛	32⅛
Aetna Life	15	17
Carolina	9¾	11¾
Continental (1.20)	16⅞	17
Glens Falls (1.60)	25½	27½
Globe & Rutgers	77	97
Great American (1)	13⅝	15⅛
Hanover F. (1.60)	24½	26½
Hartford Fire (2)	39½	41½
Home (1)	15⅝	17⅛
National Fire (2)	39¾	41¾
North River (.60)	10⅝	12⅝

INSURANCE COMPANIES—(Continued)

	Bid	Asked
Stuyvesant	6½	8½
Travelers (22)	371	386
United States Fire (1.20)	18⅝	20⅝
Westchester F. (.25)	14⅛	16⅛

SURETY AND MORTGAGE COMPANIES

	Bid	Asked
Bond & Mtg. (2)	14½	17½
Lawyers Mortgage (.80)	6⅝	8⅝
National Surety	8	8⅜

JOINT STOCK LAND BANKS

	Bid	Asked
Chicago	..	..
Dallas	1⅛	4
Des Moines	..	2
First Carolina	⅛	..
Lincoln	¼	1¼
Southern Minnesota	..	..
Virginia	.10	.20

INVESTMENT TRUST SHARES

	Bid	Asked
Amer. Founders Trust 7% Pfd	8½	15
Diversified Trustees Shares A	7⅜	..
Do Series B	5⅞	..
Fixed Trust Shares A	5.98	..
Interl. Sec. Corp. of Amer., Pfd	5	10
Do Cum. Pfd.	5	10
No. Amer. Trust Shares	1.41	..
Second Intl. Securities A	⅛	1⅛
Do 6% Pfd.	14	25
U. S. & British Interl. Pfd	4	10
Uselps Voting Shares	9	9½

point to be remembered is that real wealth must continue to be created regardless of gold and that if the exchange power of gold atrophies much further from lack of use there will be exchanges of wealth between nations without it.

Yet, if not gold, what is to facilitate the barter now being carried on between nations? London says the "bartex" is the answer. This is a coined word for an external monetary unit based on internal values. It is simply a device for *not* wiping the slate clean and starting afresh. There is no necessity to enlarge upon the chaotic situation which exists in the foreign exchange markets throughout the world. The chaos is self-evident. Thirty-five countries, or more, have instituted foreign exchange restrictions of some kind. Well, the London Chamber of Commerce "bartex" plan contemplates leaving the existing system to liquidate debts—at least at first—pay interest, and make remittances without material consideration, as best it can. But new business, strictly limited to physical goods and the costs of transporting those goods, will be carried out through a system of clearing houses. The plan is neither more nor less than the creation of a new medium of exchange, operated through a new set of foreign exchange banks, in order to facilitate the new system of barter which is springing up. It is, indeed, the international counterpart of the domestic scrip-trading-system now being run so successfully by the National Development Association of Salt Lake City; or Organized Unemployed, Inc., of Minneapolis. And if it is still thought that dollars or any other recognized national currency is the only thing which will work, just remember that the Minneapolis organization's scrip issue may reach the equivalent of $4,000,000 this winter.

Nevertheless, there are certain difficulties in the creation of new currencies for international barter, which do not exist in its domestic counterpart. The principal of these is the political, or legal aspect. Because the new system is virtually a method of nullifying the existing exchange restrictions, the widespread use of "bartex" must necessarily depend therefore upon agreements between the governments of the countries concerned. It is conceivable, for example, that a country, dependent upon the foreign exchange made available by its exports for the payment of its existing debts, would be doing the best part of its export business on a barter basis, and in this way severely curtail the regular supply of foreign money for debt payment. Hence, the necessity for inter-governmental agreements.

Nor must it be thought just because we in the United States are firmly on a gold basis without any restriction upon the buying and selling of foreign money that our interest in "bartex" or some similar plan is merely academic. Our export business is being ruined by the restrictions in other countries. Individual American exporting companies have millions tied up abroad. They shipped merchandise. It was delivered, received and paid for in the currency of the importers' country. But owing to exchange restrictions this money lies to the credit of the American company in some foreign bank and cannot be moved. The money may be perfectly good and the bank may be perfectly good, but all this is to no useful purpose so far as the freezing of important blocks of American capital is concerned. What is being done about it?

In view of the current "Buy American" crusade, some of the plans are a little curious, to say the least. It is proposed to go out and actually find a market in this country for the foreigners' goods, especially goods which have not previously been imported. The dollars which are received for these goods will be administered by a special clearing house. Some will be apportioned to debt service, some to the liquidation of frozen American balances, and some for the payment of new American exports. In this way it is hoped to not only break up the rock on which the American export business has foundered, but to refloat the ship again. The plan is broadly similar to London's "bartex" system and like it requires inter-governmental agreements. Undoubtedly only this obstacle is holding up actual execution.

But why should the world go to all this trouble to create new mediums of exchange? It already has one which has functioned successfully in the past and would function successfully in the future, if only permitted to do so. At the present time, gold as a medium of exchange is like a beautiful machine out of alignment. Swarming all over it, there is a host of amateur mechanics. They pull first one lever and then another lever. They put it into reverse gear when the thing is going forward. The whole performance is a travesty on what has been done, and on what could be done. At the same time, numbers of those dependent on the smooth functioning of the machine for their existence, have become disgusted. They have collected in little groups and are building their own machines. Some of these others even now work promisingly well. Have we to go to all the inconvenience of enlarging a little machine to the point where it obviously threatens the life of the large, old-established mechanism before the stupidity of those in charge of the latter will permit it to operate correctly? Why not recognize right now that the function of gold is exchange and take steps to see that the metal performs it?

